



# Economic Issues

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## **Large World Economies Agree to Boost Growth, Tackle Crisis Leaders vow to cooperate, call for revival of Doha trade negotiations**

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Washington — Leaders of 20 of the world's largest economies vowed to reform the global financial system and take action against the economic slowdown.

While they refrained from planning coordinated fiscal action, they vowed to cooperate closely as they individually pursue efforts to boost growth in their respective countries. "There was a common understanding by all of us that we should take pro-growth economic policies," President Bush said after the meeting.

"We are determined to enhance our cooperation and work together to restore global growth and achieve needed reforms in the world's financial systems," said the final declaration from the Group of 20 (G-20), which comprises developed and emerging market countries.

G-20 members are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States, plus the European Union.

The leaders met November 14-15 in Washington at what they are calling the first in a series of meetings to discuss measures to strengthen economic growth, deal with the financial crisis and lay the foundation for reform of the financial system to prevent a catastrophic crisis in the future.

An action plan approved by the participants calls on finance ministers to reform practices and financial markets that have exacerbated the crisis. For instance, the plan calls for boosting transparency in the sale of often-murky, complex financial products and for revising compensation and risk-taking practices. The G-20 further agreed that finance ministers must evaluate global accounting norms and the financing needs of international institutions as well as find a way to include large, emerging markets into the Financial Stability Forum, a standard-setting body established by the Group of Seven industrialized countries in the late 1990s.

By April 30, 2009, the date the leaders have chosen to meet again, finance ministers must compile a list of financial institutions whose collapse might imperil the global financial system.

To increase chances of successful outcomes of the reforms, the G-20 leaders vowed to abide by free-market principles in their pursuits. Specifically, they pledged to give the stalled Doha round of World Trade Organization negotiations another try after several earlier, unsuccessful attempts to revive them. They also pledged to refrain from imposing new trade or investment barriers for the next 12 months.

Before a November 15 plenary session, President Bush said: "One of the dangers during a crisis such as this is that people will start implementing protectionist policies."

According to many experts, protectionist policies of the United States and other countries in the 1930s made economic and financial crises so much worse that they turned into the Great Depression.

According to the latest economic forecasts from the Organisation for Economic Co-operation and Development and the International Monetary Fund, economies of the developed world will contract and fast-growing emerging market economic, such as those in China and India, will slow in 2009.

The leaders pledged to ensure that sufficient resources are available at multinational financial institutions to assist developing countries harmed by the crisis.

The meeting — cast by some countries as a platform for launching a far-reaching overhaul of the global financial architecture — settled for a more cautious, gradual approach to improving the regulation and functioning of financial markets. Key principles that were agreed upon include strengthening transparency in financial transactions, accountability and regulation; harmonizing national regulations; promoting integrity and regulatory cooperation; and providing the International Monetary Fund with capabilities to set up a financial early-warning system and to play a bigger role in crisis response.

Before the summit, France's president, Nicolas Sarkozy, called for financial regulation that applies across national borders. Despite some G-20 leaders having envisioned at least some regulatory convergence, the meeting consensus was that regulation remains a domain of national authorities, which "constitute the first line of defense against market instability."

**The full texts of the declaration and a White House fact sheet are available on the White House Web site:**  
**<http://www.whitehouse.gov>**

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## GOVERNMENT DOCUMENTS

### **UNPRECEDENTED DROP IN GRAIN PRICES. United States Department of Agriculture, Foreign Agricultural Service. *Grain: World Markets and Trade, Circular Series. FG 11-08.* November 2008**



Financial and macroeconomic developments have combined with supply and demand fundamentals to reduce grain prices.

Global rice prices have fallen precipitously over the past six months. Thailand, which supplies about 30 percent of world trade for long grain rice, is the primary price setter. Record supplies held by Thailand and Vietnam, combined with slow foreign demand, helped global prices to crash over 40 percent (\$407/ton) since May. Corn prices have dropped over 40 percent (\$137/ton) since peaking in June due in part to diminished demand

from the EU, a larger-than expected U.S. crop, and abundant global supplies of feed quality wheat, particularly from the EU, Russia and Ukraine. Wheat prices, as reflected by HRW, have fallen over 50 percent (\$262/ton) since peaking in March due to near-record harvests in virtually all Northern Hemisphere exporting countries.

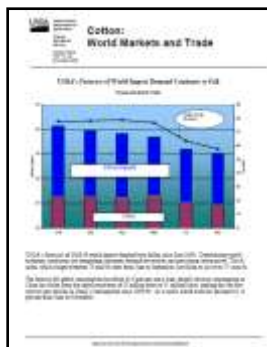
<http://www.fas.usda.gov/grain/circular/2008/11-08/grainfull11-08.pdf>

### **ENERGY EFFICIENCY: POTENTIAL FUEL SAVINGS GENERATED BY A NATIONAL SPEED LIMIT WOULD BE INFLUENCED BY MANY OTHER FACTORS. U.S. Government Accountability Office (GAO) GAO-09-153R November 7, 2008**

Gasoline prices are volatile and have increased greatly over the last several years, before dropping again recently. The national average of regular grade retail gasoline prices increased from about \$2.24 the week of January 2, 2006, to a peak of \$4.11 the week of July 14, 2008, an increase of almost 84 percent, before dropping to about \$2.40 the week of November 3, 2008. High fuel prices have focused attention on conservation. Congress previously used a national speed limit as an approach to conserve fuel when, in 1974, it provided for a national 55 mile per hour (mph) speed limit to reduce gasoline consumption in response to the 1973 Arab oil embargo. The law prohibited federal funding of certain highway projects in any state with a maximum speed limit in excess of 55 mph. In 1987, Congress allowed states to raise the maximum speed limit to 65 mph on rural interstate routes. In 1995, the 55 mph speed limit was repealed. Since then, states have been free to set speed limits without the loss of federal highway funds. Congress expressed interest in obtaining information on using a national speed limit to reduce fuel consumption. In response to the request, we reviewed existing literature and consulted knowledgeable stakeholders on the following: (1) What is the relationship between speed and the fuel economy of vehicles? (2) How might reducing the speed limit affect fuel use?

<http://www.gao.gov/new.items/d09153r.pdf>





**USDA’S FORECAST OF WORLD IMPORT DEMAND CONTINUES TO FALL. United States Department of Agriculture, Foreign Agricultural Service. Approved by the World Agricultural Outlook Board/USDA. *Cotton: World Markets and Trade*. Circular Series, FOP 11 – 08. November 2008**

USDA’s forecasts of 2008/09 world import demand have fallen since June 2008. Deteriorating world economic conditions are dampening consumer demand for textiles and pressuring cotton prices. The Aindex, which ranged between 70 and 80 cents from June to

September, has fallen to just over 57 cents/lb. The forecast for global consumption has fallen by 6 percent since June, largely because consumption in China has fallen from the initial projection of 55 million bales to 51 million bales, making this the first year-to-year decline in China’s consumption since 1998/99. As a result, world trade has declined by 14 percent from June to November.

<http://www.fas.usda.gov/cotton/circular/2008/Nov/cottonfull1108.pdf>

**“COMMERCE HELPS FREEDOM AND FREEDOM HELPS COMMERCE,” GUTIERREZ SAYS OF ADMINISTRATION’S ACCOMPLISHMENTS IN SPREADING FREEDOM AND DEMOCRACY. Washington (Nov. 6)—Secretary of Commerce Carlos M. Gutierrez spoke at the Woodrow Wilson International Center for Scholars**

Washington (Nov. 6)—Secretary of Commerce Carlos M. Gutierrez spoke at the Woodrow Wilson International Center for Scholars about the Bush Administration’s achievements in spreading freedom and democracy through commerce. From Iraq to Afghanistan, to Georgia and throughout Latin America, where entrepreneurs, free enterprise and innovators flourish, so does creativity, prosperity and increasingly freedom. “Free trade agreements work. They work for both sides...[and] probably the single biggest example that I can think of for commerce to make a difference is for Congress to approve the free trade agreement with Colombia,” Secretary Gutierrez said.

[http://www.commerce.gov/NewsRoom/SecretarySpeeches/PROD01\\_007488](http://www.commerce.gov/NewsRoom/SecretarySpeeches/PROD01_007488)

**STATUS OF GSA'S IMPLEMENTATION OF SELECTED GREEN BUILDING PROVISIONS OF THE ENERGY INDEPENDENCE AND SECURITY ACT OF 2007. U.S. Government Accountability Office. GAO-09-111R October 31, 2008**

According to the U.S. Environmental Protection Agency, buildings in the United States account for 68 percent of the nation's total electricity consumption and 39 percent of its total energy consumption. In December 2007, Congress enacted the Energy Independence and Security Act of 2007 (EISA) to, among other things, increase energy efficiency and the availability of renewable energy in federal buildings. Specifically, the act established new energy-related requirements and standards for federal buildings and for the agencies that oversee them.

<http://www.gao.gov/new.items/d09111r.pdf>



**THE U.S. LITIGATION ENVIRONMENT AND FOREIGN DIRECT INVESTMENT: SUPPORTING U.S. COMPETITIVENESS BY REDUCING LEGAL COSTS AND UNCERTAINTY. A Report. U.S. Department of Commerce, October 29, 2008**

The report aims to inform policymakers of ways to enhance U.S. global competitiveness by reducing the legal costs and uncertainty that both domestic and foreign investors face in the United States.

The report notes that high litigation costs impact America's ability to compete and recommends sustained efforts to bring these costs in line with those of other nations. It also highlights the pressing need for additional economic research on the impact of a litigious society on a country's ability to attract FDI. It emphasizes the high quality of the U.S. legal system and the competitiveness of America's open investment policy, which is based on the principle that foreign investors should not be treated differently from domestic investors.  
[http://www.commerce.gov/s/groups/public/@doc/@os/@opa/documents/content/prod01\\_007457.pdf](http://www.commerce.gov/s/groups/public/@doc/@os/@opa/documents/content/prod01_007457.pdf)

**COUNTRY ANALYSIS BRIEFS: CARIBBEAN. Energy Information Administration. Web posted October 30, 2008. 09AD108**

The islands of the Caribbean basin are predominantly net energy importers, with the exception of Trinidad and Tobago. Agriculture and natural resource extraction activities continue to constitute the basis of the islands' economies, though the tourism and service sectors are growing. In recent years, there has been concern that higher global oil prices will impair the Caribbean economies, as they are highly dependent upon oil for the energy needs. In response, the island nations have been discussing ways to promote alternative energy sources and better integrate their energy sectors.

<http://www.eia.doe.gov/emeu/cabs/Caribbean/Background.html>

[HTML format, various paging].



**FEDERAL RESEARCH AND DEVELOPMENT AGENDA FOR NET-ZERO ENERGY, HIGH-PERFORMANCE GREEN BUILDINGS. National Science and Technology Council. Web posted October 23, 2008. 09AD093**

The construction and buildings sector consumes enormous amounts of energy, clean water, and materials. Buildings use about one-third of the world's energy. The agenda contains six major building technology goals that define the major transformational advances needed for energy, water, and material use for Net Zero Energy, high-

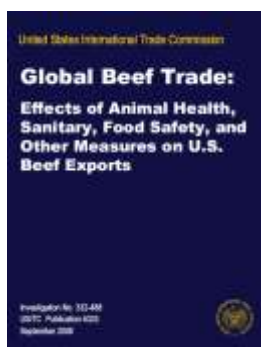
performance green buildings.

<http://ostp.gov/galleries/NSTC%20Reports/FederalRDAgendaforNetZeroEnergyHighPerformanceGreenBuildings.pdf>

## **SOLAR THERMAL COLLECTOR MANUFACTURING ACTIVITIES 2007. Report. Energy Information Administration, October 2008**

After 3 years of rapid growth, solar thermal collector shipments reported to EIA declined substantially in 2007. Growth during 2003-2006 was largely due to the rise in energy prices, concerns about global warming and dependence on foreign sources for oil, and the Tax Relief and Health Care Act of 2006, H.R. 6111. This Act extended the solar investment tax credit for one additional year through December 31, 2008. Simultaneously however, many foreign solar companies have been eyeing U.S. solar thermal market investment opportunities. They believe that the U.S. solar thermal market is poised to take off, especially utility-scale solar thermal power and domestic solar water heating. As a result, these companies began seriously competing for the U.S. solar thermal market in 2007. This is likely a factor in the slowdown in the U.S. solar thermal collector market experienced in 2007, and it is not yet clear whether this is the beginning of a general decline or merely a brief interruption in a long-term upward trend.

<http://www.eia.doe.gov/cneaf/solar.renewables/page/solarreport/solar.html>



## **GLOBAL BEEF TRADE: EFFECTS OF ANIMAL HEALTH, SANITARY, FOOD SAFETY, AND OTHER MEASURES ON U.S. BEEF EXPORTS. U.S. International Trade Commission. John Giamalva et al. Web posted October 8, 2008. 09AD023**

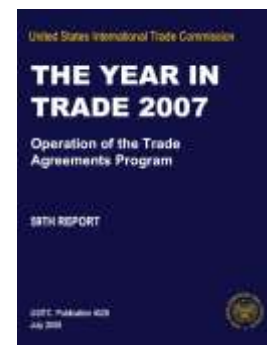
U.S. beef processors and beef cattle ranchers lose billions of dollars in export opportunities each year because of animal health and food safety measures in other countries that are inconsistent with international standards and vary by country, according to the study. Animal health and food safety regulations in Japan and Korea accounted for most of the export losses over the period. The study provides an overview of the U.S. and global beef markets and information on animal health and food safety measures facing U.S. and other major beef exporters in major destination markets.

<http://hotdocs.usitc.gov/docs/pubs/332/pub4033.pdf> [PDF format, 279 pages].

## **THE YEAR IN TRADE 2007. U.S. International Trade Commission. Web posted August 6, 2008. 08AD940**

The report provides a practical review of U.S. international trade laws and actions in 2007, a summary of the operation of the World Trade Organization (WTO), and an overview of U.S. free trade agreements and negotiations and of U.S. bilateral trade relations with major trading partners. It also includes complete listings of antidumping, countervailing duty, safeguard, intellectual property rights infringement, and section 301 cases undertaken by the U.S. government in 2007.

<http://hotdocs.usitc.gov/docs/pubs/332/pub4026.pdf> [PDF format, 229 pages].



**THE 19TH U.S. – CHINA JOINT COMMISSION ON COMMERCE AND TRADE (JCCT): FACT SHEET. U.S. Trade Representative. Web posted September 19, 2008. 08AD1079**

U.S. Commerce Secretary Carlos M. Gutierrez and U.S. Trade Representative Susan C. Schwab, together with Chinese Vice Premier Wang Qishan, convened the 19th U.S. – China Joint Commission on Commerce and Trade (JCCT). The highlights of the topics discussed, include agreements in intellectual property rights, healthcare, agriculture, procurement and services.

[http://www.ustr.gov/assets/Document\\_Library/Press\\_Releases/2008/September/asset\\_upload\\_file882\\_15113.pdf](http://www.ustr.gov/assets/Document_Library/Press_Releases/2008/September/asset_upload_file882_15113.pdf)

**FOOD SAFETY AND IMPORTS: AN ANALYSIS OF FDA FOOD-RELATED IMPORT REFUSAL REPORTS. Economic Research Service, U.S. Department of Agriculture. Jean C. Buzby et al. Web posted September 11, 2008. 08AD1067**



The study examines U.S. Food and Drug Administration (FDA) data on refusals of food offered for importation into the United States from 1998 to 2004. The study found that import refusals highlight food safety problems that appear to recur in trade and where the FDA has focused its import alerts, examinations, and other monitoring efforts. The data show some food industries and types of violations may be consistent sources of problems both over time and in comparison with previous studies of more limited data. The three food industry groups with the most violations were vegetables (20.6 percent of total violations), fishery and seafood (20.1 percent), and fruits (11.7

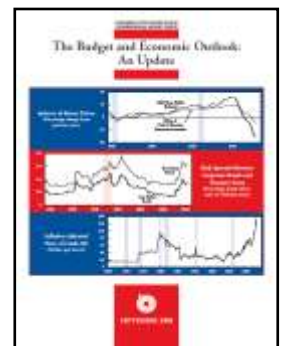
percent).

<http://www.ers.usda.gov/Publications/EIB39/EIB39.pdf> [PDF format, 47 pages].

**THE BUDGET AND ECONOMIC OUTLOOK: AN UPDATE. Congressional Budget Office. Web posted September 10, 2008. 08AD1066**

According to undated CBO economic forecast, the economy is likely to experience at least several more months of weakness. Whether this period will ultimately be designated a recession or not is still uncertain, but the increase in the unemployment rate and the pace of economic growth are similar to conditions during previous periods of mild recession.

<http://www.cbo.gov/ftpdocs/97xx/doc9706/09-08-Update.pdf> [PDF format, 92 pages].



**FIRST ANNUAL REPORT ON THE LATIN AMERICA SMALL BUSINESS LENDING INITIATIVE. U.S. Treasury Department. Web posted September 8, 2008. 08AD1042**

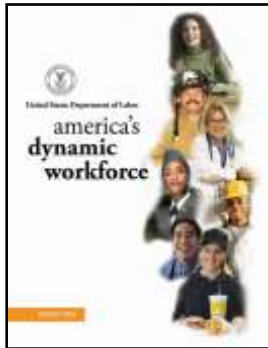
The report summarizes the first year of implementation of the Latin America Small Business Lending Initiative, launched by U.S. Treasury Secretary Paulson in June 2007, to expand and improve the access of small businesses in Latin America and the Caribbean to commercial financing. The effort is intended to accelerate the job creation and poverty-reduction that



small businesses provide. Expanding small business ownership helps create more sustainable, stable economies with broader economic opportunities.

[http://www.treas.gov/press/releases/reports/latam\\_small lending\\_annualrpt\\_082808.pdf](http://www.treas.gov/press/releases/reports/latam_small lending_annualrpt_082808.pdf)  
[PDF format, 5pages].

**AMERICA'S DYNAMIC WORKFORCE: 2008. U.S. Department of Labor. Web posted September 9, 2008. 08AD1044**



The report presents an overview of current conditions and notable trends affecting the American labor market and economic activity. Primary emphasis is on measures of labor market performance, employment, labor force participation, unemployment, and compensation. General measures of economic performance such as gross domestic product (GDP) and productivity growth are also described as they relate to labor market conditions and trends.

<http://www.dol.gov/asp/media/reports/Workforce2008/ADW2008.pdf>  
[PDF format, 70 pages].

**THE EFFECTS OF AVIAN INFLUENZA NEWS ON CONSUMER PURCHASING BEHAVIOR: A CASE STUDY OF ITALIAN CONSUMERS' RETAIL PURCHASES. Economic Research Service, U.S. Department of Agriculture. Robert H. Beach et al. Web posted September 5, 2008. 08AD1038**



To better understand how information about potential health hazards influences food demand, the case study examines consumers' responses to newspaper articles on avian influenza, also referred to as bird flu. The focus is on the response to bird flu information in Italy as news unfolded in the period October 2004 through October 2006, beginning after reports of the first outbreaks in Southeast Asia, and extending beyond the point at which outbreaks were reported in Western Europe. Estimated poultry demand, as influenced by the volume of newspaper reports on bird flu, reveals the magnitude and duration of newspaper articles' impacts on consumers' food choices.

Larger numbers of bird flu news reports led to larger reductions in poultry purchases. Most impacts were of limited duration, and all began to diminish within 5 weeks.

<http://www.ers.usda.gov/Publications/ERR65/ERR65.pdf> [PDF format, 31 pages].

**RECENT TRENDS IN HOME PRICES: DIFFERENCE ACROSS MORTGAGE AND BORROWER CHARACTERISTICS. Office of Federal Housing Enterprise Oversight. Andrew Leventis. Web posted August 27, 2008. 08AD1029**

The research paper analyzes differences in recent price trends for homes with different types of financing and borrower characteristics. The work follows preliminary research published in January that uncovered relative price weakness for homes not purchased with Office of Federal Housing Enterprise financed mortgages.

<http://www.ofheo.gov/media/research/pricesandfinancing.pdf> [PDF format, 15 pages].



## **HOW CHANGES IN THE VALUE OF THE CHINESE CURRENCY AFFECT U.S. IMPORTS. Congressional Budget Office. July 2008. 08AD905**

Rapid growth in imports of merchandise from the People's Republic of China over the past decade has posed a challenge for competing U.S. manufacturers. Some observers believe that the Chinese government has contributed to growth in U.S. imports by maintaining an undervalued currency, and there have been calls for China to revalue its currency, the renminbi, that is, to raise its value (or allow it to rise) relative to the dollar as a way to level the playing field for U.S. manufacturers.

<http://www.cbo.gov/ftpdocs/95xx/doc9506/07-17-ChinaTrade.pdf>



## **MONEY LAUNDERING IN DIGITAL CURRENCIES. National Drug Intelligence Center, U.S. Department of Justice. Web posted July 21, 2008. 08AD937**

Digital currencies combine the intrinsic value of gold and other precious metals as well as the designated value of national currencies with the worldwide reach of the Internet to create an ideal mechanism for international money laundering. Users can anonymously fund digital currency accounts, send those funds (sometimes in unlimited amounts) to other digital currency accounts worldwide, and effectively exchange

the funds for foreign currencies--often while bypassing U.S. regulatory oversight.

<http://www.usdoj.gov/ndic/pubs28/28675/28675p.pdf> [PDF format, 16 pages].



## **POLICY AND RISK PROCESSES OF TRADE-RELATED BIOLOGICAL INVASIONS. Economic Research Service, U.S. Department of Agriculture. Michael Springborn et al. June 2008. 08AD843**

The report summarizes the insights on the risk involved in trade-related introduction of non-indigenous species (NIS). The report analyzes the theoretical relationships between trade, trade policy, in the form of tariffs, and NIS-related damage. The authors characterize the optimal mix of tariffs and inspections and show how the balance depends on

trading partner attributes, such as the infection rate of shipments and the marginal NIS damage level. Overall, this collection of research on trade-related NIS introductions highlights the welfare and biological implications of both broad and differentiated policy instruments, and the challenge of empirically supporting the latter.

<http://www.ers.usda.gov/Publications/CCR41/CCR41.pdf> [PDF format, 24 pages].

## **NUMBER OF JOBS HELD, LABOR MARKET ACTIVITY, AND EARNINGS GROWTH AMONG THE YOUNGEST BABY BOOMERS: RESULTS FROM A LONGITUDINAL SURVEY. Bureau of Labor Statistics, Department of Labor. Web posted June 30, 2008. 08AD896**

The average person born in the later years of the baby boom held 10.8 jobs from age 18 to age 42, according to the Bureau of Labor Statistics of the U.S. Department of Labor. Nearly

two-thirds of these jobs were held from ages 18 to 27. The participants in the study were born in the years 1957 to 1964, the later years of the “baby boom” that occurred in the United States from 1946 to 1964. The survey spans more than a quarter century and provides information on work and non work experiences, training, schooling, income and assets, health conditions, and other characteristics.

<http://www.bls.gov/news.release/pdf/nlsoy.pdf> [PDF format, 10 pages].

## **RENEWABLE ENERGY TRENDS IN CONSUMPTION AND ELECTRICITY 2006 Edition. Energy Information Administration, June 2008**

The report, Renewable Energy Trends in Consumption and Electricity, 2006, provides an overview and tables with historical data spanning as far back as 1989 through 2006 on renewable energy consumption and electricity.

Following the highlights section, the report contains four "Issue in Focus" sections designed to provide an in-depth look at some of the major issues affecting renewable energy in the near term.

<http://www.eia.doe.gov/cneaf/solar.renewables/page/trends/rentrends.html>

## **U.S. CONGRESS**



### **U.S. FOREIGN AID TO THE PALESTINIANS. Congressional Research Service, RS22967, Library of Congress. Jim Zanotti. Web posted November 2, 2008. 09AD107**

The U.S. aid to the Palestinians has fluctuated considerably over the past three years, largely due to Hamas’s changing role within the Palestinian Authority (PA). After Hamas led the PA government for over a year, its forcible takeover of the Gaza Strip in June 2007 led to the creation of a non-Hamas government in the West Bank. Since then, the U.S. has dramatically boosted aid levels to bolster the PA

and President Mahmoud Abbas vis-à-vis Hamas. In FY2008, Congress appropriated a total of \$414.5 million in bilateral assistance to the Palestinians, the largest single year appropriation ever for the Palestinians.

<http://www.fas.org/sgp/crs/mideast/RS22967.pdf> [PDF format, 6 pages].



### **THE GLOBAL FINANCIAL CRISIS: THE ROLE OF THE INTERNATIONAL MONETARY FUND (IMF). Congressional Research Service, RS22976, Library of Congress. Martin A. Weiss. October 27, 2008. 09AD101**

The report discusses two potential roles the International Monetary Fund (IMF) may have in helping to resolve the current global financial crisis: (1) immediate crisis control through balance of payments lending to emerging market and less-developed countries and (2) increased surveillance of the global economy through better

coordination with the international financial regulatory agencies.

[http://assets.opencrs.com/rpts/RS22976\\_20081027.pdf](http://assets.opencrs.com/rpts/RS22976_20081027.pdf) [PDF format, 6 pages].

**THE U.S. FINANCIAL CRISIS: LESSONS FROM SWEDEN. Congressional Research Service, RS22962, Library of Congress]. James K. Jackson. Web posted October 17, 2008. 09AD067**

In the early 1990s, Sweden faced a banking and exchange rate crisis that led it to rescue banks that had experienced large losses on their balance sheets and that threatened a collapse of the banking system. Some analysts and others argue that Sweden's experience could provide useful lessons for the execution and implementation of the Emergency Economic Stabilization Act of 2008<sup>1</sup>. The banking crisis facing the United States is unique, so there are no exact parallels from which to draw templates. Sweden's experience, however, represents a case study in how a systemic banking crisis was resolved in a developed country with democratic institutions. The report provides an overview of the Swedish banking crisis and an explanation of the measures Sweden used to restore its banking system to health.  
[http://assets.opencrs.com/rpts/RS22962\\_20080929.pdf](http://assets.opencrs.com/rpts/RS22962_20080929.pdf)

**ISLAMIC FINANCE: OVERVIEW AND POLICY CONCERNS. Congressional Research Service, RS22931, Library of Congress. Shayerah Ilias. Web posted August 15, 2008. 08AD978**

Islamic finance is based on principles of shariah, or "Islamic law." Major principles of shariah are a ban on interest, a ban on uncertainty, adherence to risk sharing and profit-sharing, promotion of ethical investments that enhance society, and asset-backing. The international market for Islamic finance has grown 10% to 15% annually in recent years. Critics of Islamic finance express concerns about possible ties between Islamic finance and political agendas or terrorist financing and the use of Islamic finance to circumvent U.S. economic sanctions. Proponents argue that Islamic finance presents significant new business opportunities and provides alternate methods for capital formation and economic development.  
<http://www.fas.org/sgp/crs/misc/RS22931.pdf> [PDF format, 6 pages].



**FOREIGN SCIENCE AND ENGINEERING PRESENCE IN U.S. INSTITUTIONS AND THE LABOR FORCE. Congressional Research Service, 97-746, Library of Congress. Christine M. Matthews. Web posted August 14, 2008. 08AD986**

Foreign scientists and engineers serve the needs of industry at the doctorate level and also have been found to serve in major roles at the masters level in the United States. However, there are charges that U.S. workers are adversely affected by the entry of foreign scientists and engineers, who reportedly accept lower wages than U.S. citizens.

Many in the scientific community maintain that in order to compete with countries that are rapidly expanding their scientific and technological capabilities, the country needs to bring to the U.S. those whose skills will benefit society and will enable us to compete in the new-technology based global economy. There are those who believe that the underlying problem of foreign students in graduate science and engineering programs is not necessarily that there are too many foreign-born students, but that there are not enough native-born students pursuing scientific and technical disciplines.

<http://www.fas.org/sgp/crs/misc/97-746.pdf> [PDF format, 25 pages].

**EMERGENCY UNEMPLOYMENT COMPENSATION. Congressional Research Service, RS22915, Library of Congress. Julie M. Whittaker. Web posted July 21, 2008. 08AD967**

The Emergency Unemployment Compensation (EUC) program was created by P.L. 110-252. The new temporary unemployment insurance program provides up to 13 additional weeks of unemployment benefits to certain workers who have exhausted their rights to regular unemployment compensation (UC) benefits. The program effectively begins July 6, 2008, and will terminate on March 28, 2009. No EUC benefit will be paid beyond the week ending July 4, 2009.

[http://assets.opencrs.com/rpts/RS22915\\_20080711.pdf](http://assets.opencrs.com/rpts/RS22915_20080711.pdf) [PDF format, 5 pages].

**RUSSIA'S ECONOMIC PERFORMANCE AND POLICIES AND THEIR IMPLICATIONS FOR THE UNITED STATES. Congressional Research Service, RL34512, Library of Congress. William H. Cooper. Web posted June 22, 2008. 08AD866**

The Russian economy has grown impressively since 1999 and has been one of the fastest growing economies in the world. The growth has brought an improvement in the standard of living of the average Russian citizen and has brought economic stability that Russia had not experienced in at least a decade. The Russian economy is highly dependent on the production and export of oil, gas, and other natural resources. Its success has largely been the result of record-breaking world energy prices, although prudent fiscal policies have also helped to promote economic stability. While U.S. exports to Russia are still relatively small, for some producers, such as poultry, energy equipment, and technology, Russia is an important market. Russia is also an important supplier of a number of raw materials that are critical to U.S. manufacturers.

<http://www.fas.org/sgp/crs/row/RL34512.pdf> [PDF format, 29 pages].

## **THE WHITE HOUSE**

**SUMMIT ON FINANCIAL MARKETS AND THE WORLD ECONOMY**

On October 22, 2008, the President invited the leaders of the Group of 20 countries to a summit in the Washington, D.C. area, on November 15 to discuss financial markets and the global economy. The G-20 finance process, which includes key developed and emerging market countries, was established in 1999, after the last financial crisis with worldwide implications.

<http://www.whitehouse.gov/infocus/financialmarkets/>

**FACT SHEET: PLAN TO STABILIZE FINANCIAL SYSTEM IS LIMITED IN SIZE, SCOPE, AND DURATION. October 17, 2008,**

On October 17, 2008, President Bush visited the United States Chamber of Commerce and discussed the actions that the Federal Government has taken in response to the financial crisis. The President explained that the government took swift action to protect the financial security of the American people. The Federal Government is acting swiftly to preserve the system of free market capitalism and return the nation to a path of prosperity, job creation, and long-term economic growth.

<http://www.whitehouse.gov/infocus/economy/print/index.html>



## THINK TANKS AND INTERNATIONAL ORGANIZATIONS

### AMERICAN ENTERPRISE INSTITUTE

**FOREIGN AID: WHAT WORKS AND WHAT DOESN'T.** By Nicholas Eberstadt, Carol C. Adelman. *DEVELOPMENT POLICY OUTLOOK* No. 3, October 2008. AEI Online



The U.S. foreign aid system is broken and must be overhauled. That was the conclusion of the congressionally mandated Helping to Enhance the Livelihood of People around the Globe (HELP) Commission, on which we served and whose final report was released in December 2007. Our commission's consensus was no surprise: in Washington today, there are few other policy conclusions that elicit such universal and bipartisan agreement. Indeed, over the years, scholars and policymakers have acquired a better understanding of whether, where, and how foreign aid can promote growth and improve public services. With very few exceptions, those insights have yet to result in a new "business model" for U.S. foreign aid. Yet a new business model is manifestly required if development assistance is to avoid endlessly repeating past mistakes--or if it is to capitalize upon important emerging opportunities.

[http://www.aei.org/publications/filter.all,pubID.28842/pub\\_detail.asp](http://www.aei.org/publications/filter.all,pubID.28842/pub_detail.asp)

**MORE PANIC.** By John H. Makin. *ECONOMIC OUTLOOK.* AEI Online, November 2008



"A monetary economy, we shall find, is essentially one in which changing views about the future are capable of influencing the quantity of employment."

--John Maynard Keynes, *preface to The General Theory of Employment, Interest and Money*

Over the past several months as central banks and treasuries have struggled to manage a financial panic and avoid or diminish its soon-to-appear devastating impact on the global economy, I have often

thought about the efforts of two great economists to understand the lessons of the Great Depression. John Maynard Keynes's monumental *General Theory of Employment, Interest and Money*, published in 1936, showed how a failure to understand the nature of the demand for money contributed to the Great Depression. "The importance of money essentially flows from being a link between the present and the future," Keynes said.

[http://www.aei.org/publications/pubID.28866/pub\\_detail.asp](http://www.aei.org/publications/pubID.28866/pub_detail.asp)



**PANIC.** By John H. Makin. *ECONOMIC OUTLOOK.* AEI Online, October 2008

The credit crisis that followed the collapse of the housing bubble turned into a financial panic on Wednesday, September 17, 2008. There was a run by households out of money-market funds and into



safe Treasury bills, pushing their yields to zero for the first time since the Great Depression. There was a liquidity trap in the interbank market, in which banks that are supposed to lend to each other hoarded cash for fear of runs by their depositors and the insolvency of other banks. Financial markets simply froze in the midst of chaos.

[http://www.aei.org/publications/pubID.28685/pub\\_detail.asp](http://www.aei.org/publications/pubID.28685/pub_detail.asp)

#### **PREVIOUS ISSUES OF AEI *ECONOMIC OUTLOOK*:**

<http://www.aei.org/publications/filter.all,msgkey.20038142219000216,pagelD.216/default.asp>

#### **EUROPE CATCHES PNEUMONIA. By Desmond Lachman. *INTERNATIONAL ECONOMIC OUTLOOK*. No. 2, November 2008. AEI Online**

The current global financial market crisis will claim its share of casualties. Prominent among them may be any further expansion of the European Monetary Union. It is also more than likely that today's global financial market crisis will mark the end of any serious challenge by the euro to the U.S. dollar as an alternate international reserve currency. Not only will a deep and long global economic recession put severe strain on the current fifteen-country euro area, it will also expose the acute external vulnerabilities of those twelve Eastern European countries that are aspiring to full euro area membership.

[http://www.aei.org/publications/pubID.28879/pub\\_detail.asp](http://www.aei.org/publications/pubID.28879/pub_detail.asp)



#### **DOES TRADE POLICY MATTER? By Philip I. Levy. *INTERNATIONAL ECONOMIC OUTLOOK*, No. 1, October 2008. AEI Online**

As hard as it may be, it is worth trying to reinvigorate the global trade environment. Public opinion is skeptical, and the political obstacles are substantial, but the benefits of a revitalized trade system strongly outweigh the drawbacks. Resting on our trade laurels not only would forego future gains, but would threaten the trade gains of the postwar era that we currently enjoy. This Outlook launches a new series on

international economic policy issues. It is part of AEI's new Program in International Economics.

Who really cares what trade policy we adopt anyway? Ever since the end of the Second World War, at the urging of economists, the major trading nations of the world have been chipping away at trade barriers. Tariffs have fallen, and trade has flourished. What difference will it make if we pass the Colombia Free Trade Agreement or reach yet another global accord in Geneva? Will we reach a point at which we have done enough and can turn to other concerns and simply enjoy the gains we have made?

[http://www.aei.org/publications/pubID.28708/pub\\_detail.asp](http://www.aei.org/publications/pubID.28708/pub_detail.asp)

**THE SUBPRIME TURMOIL: WHAT'S OLD, WHAT'S NEW, AND WHAT'S NEXT. Charles W. Calomiris. AEI Papers and Studies, October 2, 2008**

We are currently experiencing a major shock to the financial system, initiated by problems in the subprime mortgage market, which spread to securitization products and credit markets more generally. Banks are being asked to increase the amount of risk that they absorb (by moving off-balance sheet assets onto their balance sheets), but losses that the banks have suffered limit their capacity to absorb those risky assets. The result is a reduction in aggregate risk capacity in the financial system – a bank credit crunch caused by a scarcity of equity capital in banks – as losses force those who are used to absorbing risk to have to limit those exposures.

This essay considers the origins of the subprime turmoil, and the way the financial system has responded to it. There are both old and new components in both the origins and the propagation of the subprime shock.

[http://www.aei.org/publications/pubID.28720/pub\\_detail.asp](http://www.aei.org/publications/pubID.28720/pub_detail.asp)

## ASIAN DEVELOPMENT BANK (ADB)



**ECONOMIC ANALYSIS RETROSPECTIVE 2007: STRENGTHENING THE QUALITY OF PROJECT ECONOMIC ANALYSIS IN ADB OPERATIONS. Asian Development Bank, October 2008**

This report is the sixth in an annual series of economic analysis retrospectives prepared by the Economics and Research Department of the Asian Development Bank (ADB). The retrospectives aim to promote the use of rigorous economic analysis by ADB staff in formulating country partnership strategies and designing projects to ensure quality-at-entry and achieve greater aid effectiveness. This report assesses the quality of economic analysis of ADB's public sector investment projects approved in 2006 and 2007. It is intended to be a reference for ADB staff and consultants involved in preparing feasibility studies and economic analysis for investment projects.

<http://www.adb.org/Documents/Reports/2007-EQ-Analysis/2007-economic-retrospective.pdf>



**NAVIGATING THE GLOBAL STORM: A POLICY BRIEF ON THE GLOBAL FINANCIAL CRISIS. Pacific Studies Series. Asian Development Bank, 2008**

The global financial crisis emerged at an alarming rate. A global credit squeeze led to large falls in international stock markets and the world economy is weakening rapidly. The Pacific is largely shielded from the most immediate effects of the crisis, but it is not immune. This Policy Brief provides early advice on what the global financial crisis could mean for the Pacific and what it could do to lessen its adverse impacts. The key response should be to reinvigorate structural reform, which is crucial to achieving sustained economic growth.

<http://www.adb.org/Documents/Reports/Navigating-Global-Storm/global-storm.pdf>

## BROOKINGS INSTITUTION

### **STOCK MARKET FLUCTUATIONS AND RETIREE INCOME: AN UPDATE. Brookings Institution. Gary Burtless. Web posted November 4, 2008. 09AD115**

The recent plunge in home values and even bigger dive in stock prices offer painful reminders of why Social Security seemed like such a good idea in the 1930s. Benefits are predictable, are guaranteed by the government, and are adjusted every year to keep their purchasing power stable. In contrast, workers who count on the stock market to fund their retirement have seen their savings shrink more than 40% over the past year. The question is: what kind of retirement plan offers the best guarantee workers will receive a predictable and comfortable income when they grow old? Luckily for most older Americans, the cornerstone of their retirement income is still a Social Security check.

[http://www.brookings.edu/~media/Files/rc/papers/2008/1031\\_market\\_burtless/1031\\_market\\_burtless.pdf](http://www.brookings.edu/~media/Files/rc/papers/2008/1031_market_burtless/1031_market_burtless.pdf)

### **INTERNATIONAL COOPERATION FOR THE FINANCIAL COOPERATION. Brookings Institution. Ralph C. Bryant. October 2, 2008. 09AD024**

The financial meltdown is now worldwide. Financial institutions have failed or are under severe pressure not only in the United States but in the United Kingdom, Belgium, the Netherlands, Germany, France, Italy, Ireland, Iceland, Russia, China, India, and other nations. The turmoil began with falling prices for housing and for securities and derivatives backed by mortgages. But it is increasingly unanchored from those original causes. Herd behavior and self-fulfilling expectations are now threatening even healthy, adequately capitalized institutions.

[http://www.brookings.edu/opinions/2008/1002\\_financial\\_crisis\\_bryant.aspx](http://www.brookings.edu/opinions/2008/1002_financial_crisis_bryant.aspx) [HTML format, various paging].

## CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE (CEIP)



### **CHINA'S STIMULUS LESSON FOR AMERICA. By Albert Keidel. CEIP Web Commentary, November 10, 2008**

China's newly announced \$586 billion stimulus package is almost certainly overkill for the country's needs—China's domestic demand expansion this year is too strong to warrant spending this much money any time soon. But it offers a much-needed lesson to the U.S. government about how large an effective stimulus package might have to be.

China's stimulus also arrives just in time to set a powerful example before this weekend's G20 meeting, where national leaders will discuss solutions to the looming global economic slump.

China's package amounts to 14 percent of its likely 2008 GDP. For the United States, this share of GDP translates into a \$2 trillion program. The comparison shows how small the

amounts under consideration in the Congress really are when compared to what it takes to counter a potentially very dangerous recession. After all, FDR failed to pull America out of the Depression in the 1930s because he and his Congresses worried about the budget. It took deficit spending worth 80 percent of GDP over five years during World War II to do the job. [http://carnegieendowment.org/files/chinas\\_stimulus\\_lesson\\_for\\_america.pdf](http://carnegieendowment.org/files/chinas_stimulus_lesson_for_america.pdf)

**INTERNATIONAL LABOR MIGRATION IN A GLOBALIZING ECONOMY. Carnegie Endowment for International Peace. Robert E. B. Lucas. Web posted October 24, 2008. 09AD084**

As globalization spread dramatically over the last twenty years, migration expanded less rapidly than either trade or foreign investment. Nonetheless, the migration remains contentious, often being blamed for income stagnation, even as some economists praise it as the fastest route to raising world incomes. Money sent by migrants to their home countries can promote rapid growth in developing regions, and the withdrawal of laborers can induce higher wages or less underemployment for those left behind. However, the flow of money can dry up quickly and unexpectedly, as has happened recently in Mexico.

[http://www.carnegieendowment.org/files/international\\_migration\\_globalizing\\_economy.pdf](http://www.carnegieendowment.org/files/international_migration_globalizing_economy.pdf) [PDF format, 32 pages].

**WHEN MONEY TALKS: ARAB SOVEREIGN WEALTH FUNDS IN THE GLOBAL PUBLIC POLICY DISCOURSE. Carnegie Endowment for International Peace. Sven Behrendt. October 2008. 09AD065**

The financial interdependence that sovereign wealth funds (SWFs) created between the West and the Arab world could help stabilize multilateral relations and promote economic development and political stability in the Middle East, concludes the paper.

The author studies the rise of Arab SWFs, assesses their investment strategy, and evaluates the policies of Arab investors and Western nations.

[http://www.carnegieendowment.org/files/arab\\_sovereign\\_wealth\\_funds.pdf](http://www.carnegieendowment.org/files/arab_sovereign_wealth_funds.pdf) [PDF format, 32 pages].

**CHINA'S ECONOMIC RISE: FACT AND FICTION. Carnegie Endowment for International Peace. Albert Keidel. July 2008. 08AD924**

China's economy will surpass that of the United States by 2035 and be twice its size by mid century, the report concludes. China's rapid growth is driven by domestic demand—not exports—and will sustain high single-digit growth rates well into this century. The report examines China's likely economic trajectory and its implications for global commercial, institutional, and military leadership.

[http://www.carnegieendowment.org/files/pb61\\_keidel\\_final.pdf](http://www.carnegieendowment.org/files/pb61_keidel_final.pdf) [PDF format, 16 pages].



## CATO INSTITUTE



### **WHILE DOHA SLEEPS: SECURING ECONOMIC GROWTH THROUGH TRADE FACILITATION. CATO Institute. Daniel Ikenson. June 17, 2008. 08AD825**

The report states that improving the international trading system does not require a new, comprehensive multilateral agreement. The trade facilitation includes reforms aimed at improving the chain of administrative and physical procedures involved in the transport of goods and services across international borders. Countries with inadequate trade infrastructure, burdensome administrative processes, or limited competition in trade logistics services are less capable of benefiting from the opportunities of expanding global trade. Companies interested in investing, buying, or selling in local markets are less likely to bother if there are too many frictions related to document processing or cargo inspection at customs, antiquated port facilities, logistics bottlenecks, or limited reliability of freight or trade-financing services.

<http://www.freetrade.org/files/pubs/pas/tpa-037.pdf> [PDF format, 24 pages].

### **MONETARY ARRANGEMENTS IN THE 21ST CENTURY. An Interdisciplinary Journal of Public Policy Analysis, Volume 28, Number 2, Spring/Summer 2008. CATO Institute**

<http://www.cato.org/pubs/journal/currentissue.html> ►



### **CATO POLICY REPORT. September/October 2008 Vol. XXX No. 5**

#### **Featuring:**

Inequality and Taxes," by Alan Reynolds

"A Case for a Different Libertarian Party," by William A. Niskanen

"One Man's America," by George F. Will

[http://www.cato.org/pubs/policy\\_report/v30n5/cpr30n5.pdf](http://www.cato.org/pubs/policy_report/v30n5/cpr30n5.pdf)



### **ECONOMIC FREEDOM OF THE WORLD: 2008 ANNUAL REPORT. By James Gwartney and Robert Lawson with Seth Norton. CATO, September 2008**

A global effort has been devoted to reducing world poverty. Some claim poverty can be best combated by foreign aid. Others point to the importance of domestic policies, such as those that support or weaken economic freedom. In new research published in this year's report, Seth Norton and James Gwartney investigate the connection between economic freedom and poverty. Using various measures of poverty,

Norton and Gwartney find a strong positive relationship between economic freedom and poverty reduction and call for more research in this area.

<http://www.cato.org/pubs/efw/>



**GREENSPAN'S MONETARY POLICY IN RETROSPECT; Discretion or Rules? By David R. Henderson and Jeffrey Hummel CATO Briefing Paper no. 109, November 3, 2008**

Is Alan Greenspan to blame for the current housing bubble and the ongoing financial crisis? A growing chorus charges the former Federal Reserve chairman with being an "inflationist" whose loose monetary policy caused or significantly contributed to our current economic troubles. However, although Greenspan's policies weren't perfect, his monetary policy was in fact tight, and his legacy is one of having overseen low and stable inflation and a striking dampening of the business cycle.

(...)

This paper should not be construed as a defense of all of Greenspan's policies, nor of central banking or the Federal Reserve. In fact, our preference would be to abolish the Fed and deregulate the banking industry. Barring that, we argue that Federal Reserve policy ought to abide by the rules rather than the discretion of its chairman.

<http://www.cato.org/pubs/bp/bp109.pdf>



**FREDDIE MAC AND FANNIE MAE: AN EXIT STRATEGY FOR THE TAXPAYER. By Arnold Kling. CATO Briefing Paper no. 106. September 8, 2008**



The Fannie Mae-Freddie Mac crisis may have been the most avoidable financial crisis in history. Economists have long complained that the risks posed by the government-sponsored enterprises were large relative to any social benefits.

(...)

We have to assume that sooner or later some of the institutions involved in mortgage finance will fail. The policy should be to promote a housing finance system where mortgage risk is spread among dozens of institutions. That way, the failure of some firms can be resolved through mergers and orderly restructuring, without

exposing the financial system to the sort of catastrophic risk that is represented by Fannie Mae and Freddie Mac.

<http://www.cato.org/pubs/bp/bp106.pdf>

**CENTER FOR AMERICAN PROGRESS**



**RESTORING CONFIDENCE IN THE AMERICAN ECONOMY; A recovery strategy of stimulus, investment and discipline for 2009 and beyond. Center for American Progress, November 2008**

‘The serious economic threats facing our economy are more urgent than this year’s budget deficit, but we also need start quickly to restore financial discipline and the public’s confidence in government. Even as we are spending more in the short term, we must make a serious commitment to scrub the budget of inefficient and ineffective programs and tax incentives, make tough choices among competing priorities, and

address the sustainability of Medicare and Social Security—the looming fiscal challenge in the coming decades—in the context of reform of the social safety net to provide retirement and health care security.

Our economy has reached these dire straits after years of mismanagement and neglect. It cannot be rebuilt overnight. We need a sustained economic agenda that focuses on building the foundation for a brighter future.”

[http://www.americanprogress.org/issues/2008/11/pdf/restoring\\_confidence.pdf](http://www.americanprogress.org/issues/2008/11/pdf/restoring_confidence.pdf)

**GREEN RECOVERY: A PROGRAM TO CREATE GOOD JOBS AND START BUILDING A LOW-CARBON ECONOMY. Center for American Progress. Web posted September 12, 2008. 08AD1069**



As America confronts the current energy crisis, the report shows that the U.S. can create two million jobs by investing in clean energy technologies that will strengthen the economy and fight global warming. It finds that investing in clean energy would create four times as many jobs as spending the same amount of money within the oil industry. The program could be paid for with proceeds from auctions of carbon permits under a global warming cap-and-trade program that will drive private investments into clean energy and raise public revenue through carbon permit auctions.

[http://www.americanprogress.org/issues/2008/09/pdf/green\\_recovery.pdf](http://www.americanprogress.org/issues/2008/09/pdf/green_recovery.pdf)  
[PDF format, 42 pages].

## CENTER FOR ECONOMIC AND POLICY RESEARCH

**THE CHANGING PROSPECTS FOR BUILDING HOME EQUITY: An Updated Analysis of Rents and the Price of Housing in 100 Metropolitan Areas. Hye Jin Rho, Danilo Pelletiere, and Dean Baker. CEPR, October 2008,**



This report updates CEPR's May 2008 report titled "Ownership, Rental Costs and the Prospects of Building Home Equity: An Analysis of 100 Metropolitan Areas," which compared the ownership and rental costs in 100 major U.S. metropolitan areas and projected the potential for a first-time homebuyer in those cities to accumulate home equity. Since the publication of that paper, housing prices have continued their steep descent in much of the country and rents have risen modestly. The study shows that recent price declines indicate many communities are moving back toward the historical track of modest equity increases for homebuyers. The findings point out that is still unwise for policy

makers to attempt to directly intervene in housing markets to maintain what are historically unprecedented high home prices.

[http://www.cepr.net/documents/publications/Changing\\_Prospects\\_for\\_Building\\_Home\\_Equity\\_2008\\_10.pdf](http://www.cepr.net/documents/publications/Changing_Prospects_for_Building_Home_Equity_2008_10.pdf)

**THE UNITED STATES AND THE WORLD: WHERE ARE WE HEADED?**  
**Conference presentation by Mark Weisbrot. CEPR, September 2008**

This is Mark Weisbrot's presentation for the "Seminar on the United States," sponsored by the Alexandre de Gusmão Foundation and the International Relations Research Institute (IPRI), at the Itamaraty Palace (Brazilian Foreign Ministry), Rio de Janeiro, Brazil, September 29, 2008. Mark Weisbrot was joined at the conference by Latin American government officials, academics, and other experts.

[http://www.cepr.net/documents/publications/us\\_world\\_2008\\_09.pdf](http://www.cepr.net/documents/publications/us_world_2008_09.pdf)

**SLOW-MOTION RECESSION: WHAT CONGRESS CAN DO TO HELP. Center for Economic and Policy Research. Eileen Appelbaum et al. July 2008. 08AD933**

The report presents several proposals designed to address the nation's current economic slowdown. The authors suggest a second stimulus package, which includes an expanded tax credit for homes and businesses to make energy conserving renovations, subsidies for state and local governments to reduce fares on public transportation, and additional payments to low- and moderate-income households through programs such as Food Stamps, School Lunches and the Low Income Heating and Energy Assistance Program to make it easier for families to cope with rising food and energy prices.

[http://www.cepr.net/documents/publications/stimulus2\\_2008\\_07.pdf](http://www.cepr.net/documents/publications/stimulus2_2008_07.pdf) [PDF format, 14 pages].

**CENTER FOR GLOBAL DEVELOPMENT (CGD)**

**U.S. TRADE POLICY AND GLOBAL DEVELOPMENT. Kimberly Elliott. White House and the World Policy Brief. CGD 11/04/2008**



This White House and the World Policy Brief presents key facts and recommendations drawn from Chapter Seven of The White House and the World: A Global Development Agenda for the Next U.S. President.

The new president will have both the opportunity and the responsibility to reshape American trade policy so that it continues to support economic prosperity without leaving the most vulnerable behind. The starting point for such a policy must be to rebuild broad support for open U.S. trade and investment policies. It will require a long-term commitment by both the president and Congress to improve the education, pension, and health care systems. In the meantime, they need to work together to update the unemployment insurance and Trade Adjustment Assistance programs to reflect realities of the twenty-first century.

[http://www.cgdev.org/files/967263\\_file\\_Trade\\_Web.pdf](http://www.cgdev.org/files/967263_file_Trade_Web.pdf)

**BIOFUELS AND THE FOOD PRICE CRISIS: A SURVEY OF THE ISSUES. Kimberly Elliott. Center for Global Development. Web posted August 11, 2008. 08AD956**

While the precise contribution of bio-fuels to surging food prices is difficult to know, policies promoting production of the bio-fuels are not achieving objectives of increased energy

independence or reduced greenhouse gas emissions. It has been known that the net energy and greenhouse gas emission benefits of corn-based ethanol are relatively small because its production is energy-intensive. Recent scientific studies suggest that the current generation of bio-fuels, including bio-diesel made from palm oil, soybeans, and rapeseed, as well as corn-based ethanol, actually add to greenhouse gas emissions relative to petroleum-based fuels when land use changes are taken into account.

<http://www.cgdev.org/content/publications/detail/16499?print=1&id=16499&datatype=5>  
[Link to the PDF document]

## CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES (CSIS)



### **THOUGHTS ON THE CREDIT CRISIS. By Sidney Weintraub. *Issues in International Political Economy*, October 2008, Number 106. CSIS**

The purpose of this essay is to get some thoughts on the credit crisis into the public domain. The world has many experts who are prepared to comment on the current financial problems. However, none of them has had any practical experience in dealing with a situation in which credit markets have almost completely shut down. Therefore, thoughtful ideas on how best to restore confidence and stimulate credit

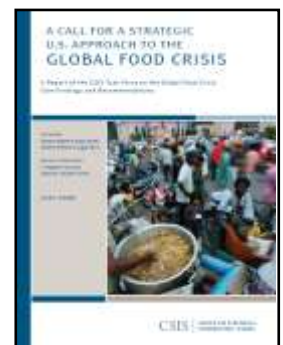
markers to work efficiently are most welcome.

<http://www.csis.org/media/csis/pubs/issues200810.pdf>

### **A CALL FOR A STRATEGIC U.S. APPROACH TO THE GLOBAL FOOD CRISIS. Center for Strategic & International Studies. Web posted July 31, 2008. 08AD936**

In response to the growing global food crisis, the Center for Strategic and International Studies (CSIS) launched a task force to assess the rising humanitarian, security, developmental, and market impacts of rising food costs and shortages. It argues for modernizing and doubling emergency assistance, elevating rural development and agricultural productivity to be new foreign policy priorities. It also calls for revising the U.S. approach to bio-fuels so that fuel and food security objectives are not in conflict with each other.

[http://www.csis.org/media/csis/pubs/080728\\_food\\_security.pdf](http://www.csis.org/media/csis/pubs/080728_food_security.pdf)  
[PDF format, 14 pages].



## CENTER ON BUDGET AND POLICY PRIORITIES



### **BUDGET CUTS OR TAX INCREASES AT THE STATE LEVEL: WHICH IS PREFERABLE DURING AN ECONOMIC DOWNTURN? By Nicholas Johnson. Center on Budget and Policy Priorities. Updated November 6, 2008**

The combination of a weak economy and projected budget shortfalls is posing a major challenge for state policymakers: How can they balance their states' budgets with the least possible harm to already

damaged state economies? One answer is to draw down reserve funds, if possible. Another answer is to seek assistance from the federal government. Those options will help, but are unlikely to solve all of states' problems. Some number of states will have to either (a) cut spending, (b) raise taxes, or (c) enact a combination of tax increases and spending cuts to keep budgets in balance.

Policymakers sometimes contend that the weakness of the economy means that a state should rely solely on cutting spending, rather than raising taxes. The aversion to raising taxes during a recession, however, rests on a misconception of economic effects.

<http://www.cbpp.org/1-8-08sfp.pdf>

## CENTURY FOUNDATION.

### **A GUIDE TO THE HOUSING CRISIS: TEN QUESTIONS AND ANSWERS. Century Foundation. Bernard Wasow. Web posted October 4, 2008. 09AD038**

As Congress tries to work out a financial rescue plan, many people are still trying to understand how the financial institutions got into so much trouble in the first place, and why the government needs to take action to bail them out. In an issue brief Bernard Wasow answers ten crucial questions about the housing crisis. The questions include why did lenders make so many bad loans for mortgages and why are so many different banks and brokerages all over the world in hot water.

[http://www.tcf.org/publications/economicsinequality/housing\\_brief.pdf](http://www.tcf.org/publications/economicsinequality/housing_brief.pdf)

[PDF format, 6 pages].

## CHICAGO COUNCIL ON GLOBAL AFFAIRS



### **ANXIETY OVER ENERGY, JOBS, AND WEALTH SHAKES AMERICA'S GLOBAL ECONOMIC CONFIDENCE. Chicago Council on Global Affairs. Web posted October 15, 2008. 09AD072**

The report shows that economic anxiety is causing Americans to shift their foreign policy views and priorities. Energy has emerged as a major source of concern, along with jobs and an unfair distribution of wealth. These concerns are negatively impacting views of globalization, immigration, NAFTA, and the U.S. economic future.

The American public's unease is evident in the strong majority (64%)

that believes that the distribution of income and wealth in the U.S. has become less fair.

Eighty-two percent of those who believe this indicate that globalization and international trade are "very" or "somewhat" important to their assessment.

[http://www.thechicagocouncil.org/UserFiles/File/POS\\_Topline%20Reports/POS%202008/2008%20Public%20Opinion\\_Economic.pdf](http://www.thechicagocouncil.org/UserFiles/File/POS_Topline%20Reports/POS%202008/2008%20Public%20Opinion_Economic.pdf)

## COMMISSION ON GROWTH AND DEVELOPMENT

### **INTERNATIONAL FINANCE AND GROWTH IN DEVELOPING COUNTRIES: WHAT HAVE WE LEARNED? Maurice Obstfeld. Commission on Growth and Development. WORKING PAPER NO.34. The International Bank for Reconstruction**



**and Development / The World Bank on behalf of the Commission on Growth and Development, May 2008**



Despite an abundance of cross - section, panel, and event studies, there is strikingly little convincing documentation of direct positive impacts of financial opening on the economic welfare levels or growth rates of developing countries. The econometric difficulties are similar to those that bedevil the literature on trade openness and growth, though if anything, they are more severe in the context of international finance. There is also little systematic evidence that financial opening raises welfare indirectly by promoting collateral reforms of economic institutions or policies. At the same time, opening the financial account does appear to raise the frequency and severity of economic crises. Nonetheless, developing countries continue to move in the direction of further financial openness. A plausible explanation is that financial development is a concomitant of successful economic growth, and a growing financial sector in an economy open to trade cannot long be insulated from cross - border financial flows. This survey discusses the policy framework in which financial globalization is most likely to prove beneficial for developing countries. The reforms developing countries need to carry out to make their economies safe for international asset trade are the same reforms they need to carry out to curtail the power of entrenched economic interests and liberate the economy's productive potential.

<http://www.growthcommission.org/storage/cgdev/documents/gcwp040bilingualweb.pdf>



**THE GROWTH REPORT: STRATEGIES FOR SUSTAINED GROWTH AND INCLUSIVE DEVELOPMENT. Commission on Growth and Development. The International Bank for Reconstruction and Development / The World Bank on behalf of the Commission on Growth and Development, May 2008**

Fast, sustained growth is not a miracle – it is possible for developing countries, as long as their leaders are committed to achieving it and take advantage of the opportunities provided by the global economy.

Developing countries also need to know the levels of incentives and public investments that are needed for private investment to take off in a manner that leads to the long term diversification of the economy and integration into the global economy. These are among the key findings of the Commission on Growth & Development's report: 'The Growth Report: Strategies for Sustained Growth and Inclusive Development', launched here today.

<http://cgd.s3.amazonaws.com/GrowthReportComplete.pdf>

## **COUNCIL ON FOREIGN RELATIONS (CFR)**

**CHINA'S TROUBLED FOOD AND DRUG TRADE. Author: Toni Johnson, Staff Writer. CFR Backgrounder, October 17, 2008**

From pet food and toothpaste to dialysis drugs and milk products, the Chinese government finds itself under growing scrutiny both domestically and internationally for how it regulates food and other consumer products. Following scandals involving both pet food and dairy

products, some accused Chinese producers of deliberately adding the chemical melamine to products to thwart quality testing methods aimed at detecting protein levels in foods. The Chinese government defends its food safety record but has also made moves to improve regulatory oversight. On preventing tainted food from entering international markets, some experts note that Japan and Hong Kong do more than the United States does to inspect food imports from China. Other experts say multinational firms involved in exporting products from China must do more to ensure that the products they are moving are safe.

<http://www.cfr.org/publication/17545/>

**THE U.S. FINANCIAL REGULATORY SYSTEM. Author: Lee Hudson Teslik, Associate Editor. CFR Backgrounder, October 2, 2008**

The sweeping credit crunch of 2008 triggered several high-profile financial failures and prompted widespread debate about how the U.S. government regulates financial markets. Beyond efforts to resolve an immediate liquidity crisis, policymakers are considering longer-term efforts to significantly reorganize the rules governing financial markets and the regulatory agencies charged with enforcing them. Treasury Secretary Henry M. Paulson has pushed for the implementation of a series of reforms he initially proposed in March 2008. Paulson's plan would shut down one regulatory agency, the Office of Thrift Supervision (OTS), and merge two others, the Securities and Exchange Commission (SEC) and the Commodities Futures Trading Commission (CFTC). Overall, many analysts interpreted the plan as a broad move to empower yet another regulator, the U.S. Federal Reserve. Other policymakers and analysts advocate different approaches. Many Democrats in Congress aim to repeal or revise the Gramm-Leach-Bliley Act of 1999, which discarded financial safeguards applied during the Great Depression and opened the way for banks and insurance companies to compete with brokerage houses in offering complex investment products. Others stress major operational reforms at the SEC. Still others insist that federal intervention in markets is a mistake and that investment houses and other financial institutions which took undue risks should be allowed to collapse.

<http://www.cfr.org/publication/17417/>

**GLOBAL FDI POLICY: CORRECTING A PROTECTIONIST DRIFT. Council on Foreign Relations. David M. Marchick and Matthew J. Slaughter. June 2008. 08AD859**

Foreign investment has been a principal engine of global economic growth in recent years. Both developed and developing countries have reaped substantial gains. This investment offers direct benefits to host countries, including job creation and increased tax revenue. It also helps source countries, where multinational firms are based, by allowing these firms to compete and earn profits abroad. However, foreign investment is not immune to the resistance in respect to the movement of goods and services. Calls to restrict investment are growing in many countries, with potentially significant adverse political and economic consequences. Acknowledging governments' legitimate national security interests, the report lays out principles for host countries to follow in regulating foreign investment.

[http://www.cfr.org/content/publications/attachments/FDI\\_CSR34.pdf](http://www.cfr.org/content/publications/attachments/FDI_CSR34.pdf)

[PDF format, 56 pages].

## EAST-WEST CENTER

### **SHIFTING CURRENTS OF U.S. AND ASIA PACIFIC ECONOMICS, RESOURCES, AND SECURITY, by Jerry Burris (rapporteur). Senior Policy Seminar, Honolulu: East-West Center, 2008**

The next American president will face an Asia Pacific region enjoying a “long peace,” but threatened by turmoil and uncertainty in health, the environment, and particularly the international economy. These are among the central conclusions of a gathering of policy experts, academics, and current or former government officials who met in Honolulu for the East-West Center’s annual Senior Policy Seminar. At the top of the agenda of this year’s gathering was the current turmoil in the U.S. and international economies, its impact on the region, and how these issues will impact the next U.S. administration.

<http://www.eastwestcenter.org/pubs/2923>



## ECONOMIC POLICY INSTITUTE



### **HISPANICS AND THE ECONOMY: ECONOMIC STAGNATION FOR HISPANIC AMERICAN WORKERS, THROUGHOUT THE 2000S. Algernon Austin and Marie T. Mora. EPI Briefing Paper #225, October 31, 2008**

Between 2000 and 2007, the U.S. gross domestic product grew by 18% and worker productivity by 19%. Yet despite these gains, the Hispanic population did not benefit from the wealth that it helped create in the U.S. economy in this period. This EPI Briefing Paper examines the data that show how this group experienced a loss of median income

and an increase in the poverty and unemployment rates. The Hispanic population began the 2000s business cycle significantly worse off economically than the nation as a whole, and they are ending the cycle in virtually the same place. For many Hispanics the current economic downturn will mean they will fall further behind the nation as a whole.

<http://www.epi.org/briefingpapers/225/bp225.pdf>

### **THE BURDEN OF OUTSOURCING: U.S. NON-OIL TRADE DEFICIT COSTS MORE THAN 5 MILLION JOBS. Robert E. Scott. EPI Briefing Paper #222, October 2, 2008**

The U.S. trade deficit has a corrosive effect on U.S. workers and the domestic economy. In 2007, 5.6 million jobs were lost or displaced by the U.S. non-oil trade deficit. Despite strong export growth over the past few years, that deficit still totaled \$473 billion in 2007, only \$48 billion less than its record peak in 2006. More than 4 million (70%) of the jobs displaced by non-oil trade in 2007 were in the manufacturing sector. Elimination of the U.S. non-oil trade deficit could support millions of new jobs in export industries and contribute to the revitalization of U.S. manufacturing.

<http://www.epi.org/briefingpapers/222/bp222.pdf>

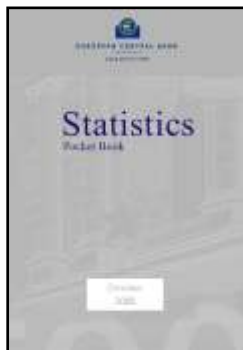


**PREVAILING WAGES AND GOVERNMENT CONTRACTING COSTS: A review of the research. Nooshin Mahalia. EPI Briefing Paper #215, July 8, 2008**

Critics of prevailing wage laws argue that they inflate government contract costs. But a growing body of economic studies finds that prevailing wage regulations do not increase government contracting costs. Some of these studies use a cross-sectional approach, which compares costs of contracts subject to a prevailing wage with costs of contracts that are not during a common time period, and others use a time-series approach, which examine whether contract costs have changed with the adoption or repeal of a prevailing wage requirement. These studies also show that prevailing wage laws provide social benefits from higher wages and better workplace safety, increase government revenues, and elevate worker skills in the construction industry.

<http://www.epi.org/briefingpapers/215/bp215.pdf>

**EUROPEAN CENTRAL BANK**



**STATISTICS: POCKET BOOK. [European Central Bank]. October 2008. 09AD047**

The book, a monthly, contains selected macroeconomic indicators for the individual Member States of the European Union, as well as comparisons between the Euro area, the United States and Japan.

<http://www.ecb.int/pub/pdf/stapobo/spb200810en.pdf>  
[PDF format, 55 pages].

**FEDERAL RESERVE BANK OF ATLANTA**

**NEW FINANCING TRENDS IN LATIN AMERICA: AN OVERVIEW OF SELECTED ISSUES AND POLICY CHALLENGES.. Camilo E. Tovar and Myriam Quispe-Agnoli. Federal Reserve Bank of Atlanta. *Economic Review*, Vol 93, No.3. Web posted September 24, 2008. 09AD013**



During the past fifteen years, financial markets in Latin America have experienced a major transformation. This process and its effects on the nature of risks and policy challenges in Latin America were the focus of a May 2007 conference in Mexico City sponsored by the Representative Office for the Americas of the Bank for International Settlements and the Americas Center of the Federal Reserve Bank of Atlanta.

This article summarizes the papers presented at the conference as well as the discussions among participants from central banks, finance ministries, multilateral institutions, academia, and the private sector.

[http://www.frbatlanta.org/filelegacydocs/er08no3\\_tovar.pdf](http://www.frbatlanta.org/filelegacydocs/er08no3_tovar.pdf)

**THE FINAL FRONTIER: THE INTEGRATION OF BANKING AND COMMERCE.  
Part 1: The Likely Outcome of Eliminating the Barrier. Larry D. Wall, Alan K. Reichert,  
and Hsin-Yu Liang. *Economic Review* Vol. 93, No. 1, 2008. Federal Reserve Bank of  
Atlanta, July 2008**

Economic theory, the authors note, suggests that joint corporate ownership of banks and commercial firms has several potential benefits, including economies of scale and scope, increased internal capital markets, and diversification. Commercial firms could also enjoy a significant reduction in funding costs if affiliation with a bank extended the federal safety net for banks to cover the commercial firms' liabilities. But some benefits are already available without common ownership. Moreover, common ownership may also result in some disadvantages, such as significant diseconomies of scale and scope.

[http://www.frbatlanta.org/filelegacydocs/er08no1\\_wall.pdf](http://www.frbatlanta.org/filelegacydocs/er08no1_wall.pdf)

**THE FINAL FRONTIER: THE INTEGRATION OF BANKING AND COMMERCE.  
Part 2: Risk and Return Using Efficient Portfolio Analysis. Alan K. Reichert, Larry D.  
Wall, and Hsin-Yu Liang. *Economic Review* Vol. 93, No. 2, 2008. Federal Reserve Bank of  
Atlanta, August 2008**

This second part of the study analyzes the one source of possible gains—portfolio diversification—that can be estimated with existing data.

Using methodologies from previous studies, the authors combine ten financial and nonfinancial industries into hypothetical portfolios using industry-level profitability data calculated from corporate tax returns filed with the Internal Revenue Service between 1994 and 2004. The analysis demonstrates that pairwise combinations of banks with construction firms or with retail firms would have produced substantially higher returns on equity with less risk during the sample period. Efficient portfolios combining banks with several other industries showed even higher levels of returns relative to risk, although banks were not necessarily a dominant part of some combinations.

[http://www.frbatlanta.org/filelegacydocs/er08no2\\_reichert.pdf](http://www.frbatlanta.org/filelegacydocs/er08no2_reichert.pdf)

## FRASER INSTITUTE

**ECONOMIC FREEDOM OF THE ARAB WORLD: 2008 ANNUAL REPORT. Fred  
McMahon, Amela Karabegovic, Salem Ben Nasser Al-Ismaïly. Fraser Institute with the  
International Research Foundation (IRF) of Oman, November 5, 2008**



The report compares and ranks Arab nations in five economic freedom areas: size of government; commercial and economic law and security of property rights; access to sound money; freedom to trade internationally, and the regulation of credit, labour, and business. It measures at least some areas of economic freedom in 22 nations: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, West Bank and Gaza, and Yemen.

The report, which has been published since 2005 in partnership with the International Research Foundation (IRF) of Oman, is an outgrowth of the Fraser Institute's annual



Economic Freedom of the World report, which ranks the economic freedom levels of 141 nations around the globe.

[http://www.fraserinstitute.org/commerce.web/product\\_files/EconomicFreedom\\_ArabWorld2008\\_US.pdf](http://www.fraserinstitute.org/commerce.web/product_files/EconomicFreedom_ArabWorld2008_US.pdf)

**ECONOMIC FREEDOM OF THE WORLD: 2008 ANNUAL REPORT. James Gwartney, Robert Lawson. Fraser Institute, September 16, 2008**

The index published in Economic Freedom of the World measures the degree to which the policies and institutions of countries are supportive of economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of privately owned property. Forty-two variables are used to construct a summary index and to measure the degree of economic freedom in five broad areas: (1) size of government; (2) legal structure and security of property rights; (3) access to sound money; (4) freedom to trade internationally; and (5) regulation of credit, labor and business.

[http://www.fraserinstitute.org/commerce.web/product\\_files/EconomicFreedomoftheWorld2008.pdf](http://www.fraserinstitute.org/commerce.web/product_files/EconomicFreedomoftheWorld2008.pdf)

**MEASURING LABOUR MARKETS IN CANADA AND THE UNITED STATES: 2008 REPORT. Fraser Institute. Keith Godin et al. Web posted August 31, 2008. 08AD1022**

The research paper assesses the performance of labor markets and explains why results differ among jurisdictions. The paper provides a series of specific evaluations as well as a comprehensive measure of labor market performance. Indicators of labor performance such as job creation, unemployment, and productivity are used to assess Canadian provincial and US state labor market performance. It also examines those characteristics and regulations of the labor market that have been shown to affect its performance.

[http://www.fraserinstitute.org/commerce.web/product\\_files/MeasuringLabourMarketsCanadaUS2008.pdf](http://www.fraserinstitute.org/commerce.web/product_files/MeasuringLabourMarketsCanadaUS2008.pdf)

## HARVARD KENNEDY SCHOOL

**SHOULD EASTERN EUROPEAN COUNTRIES JOIN THE EURO? A REVIEW AND UPDATE OF TRADE ESTIMATES AND CONSIDERATION OF ENDOGENOUS OCA CRITERIA. By Jeffrey Frankel. Harvard Kennedy School. Working Paper, Number:RWP08-059 October 29, 2008**

An advantage of monetary union is facilitating trade. After many critiques, Rose's basic finding is left standing: currency unions have greater trade effects than previously believed. Updated estimates also find an effect of the euro on trade among members that is significant (though mysteriously still only 15%). An argument for retaining monetary independence is asymmetric shocks, i.e., low cyclical correlation. Eastern European countries might want to wait before joining, because their trade patterns and cyclical correlations have been gradually shifting toward Western Europe anyway; thus the argument for the euro strengthens as time passes, while the argument against it weakens.

[http://ksgnotes1.harvard.edu/Research/wpaper.nsf/rwp/RWP08-059/\\$File/rwp\\_08\\_059\\_frankel.pdf](http://ksgnotes1.harvard.edu/Research/wpaper.nsf/rwp/RWP08-059/$File/rwp_08_059_frankel.pdf)



## HARVARD BUSINESS SCHOOL

### **MARKET REACTION TO THE ADOPTION OF IFRS IN EUROPE. Harvard Business School. Christopher S. Armstrong et al. Web posted September 16, 2008. 08AD1059**

This study examines the European stock market reaction to sixteen events associated with the adoption of International Financial Reporting Standards (IFRS) in Europe. European IFRS adoption represented a major milestone towards financial reporting convergence yet spurred controversy reaching the highest levels of government. Overall, the findings suggest that investors in European firms perceived net benefits associated with IFRS adoption, according to the authors.

<http://www.hbs.edu/research/pdf/09-032.pdf> [PDF format, 51 pages].



### **GLOBAL ENVIRONMENTAL POLICY AND GLOBAL TRADE POLICY. By Jeffrey Frankel. . Harvard Kennedy School. Working Paper, Number:RWP08-058 October 29, 2008**

The global climate regime, as represented by the Kyoto Protocol, may be on a collision course with the global trade policy regime, as represented by the WTO (World Trade Organization).

Environmentalists fear that international trade will undercut reductions in greenhouse gas emissions as dirty production migrates to non-participating countries, a phenomenon known as leakage. Meanwhile

businesspeople fear the effects on their own competitiveness of the same phenomenon. These fears have now become prominent in the policy-making process.

[http://ksgnotes1.harvard.edu/Research/wpaper.nsf/rwp/RWP08-058/\\$File/rwp\\_08\\_058\\_frankel.pdf](http://ksgnotes1.harvard.edu/Research/wpaper.nsf/rwp/RWP08-058/$File/rwp_08_058_frankel.pdf)

## HERITAGE FOUNDATION

### **WHY GOVERNMENT SPENDING DOES NOT STIMULATE ECONOMIC GROWTH. By Brian M. Riedl. Heritage Foundation Backgrounder #220, November 12, 2008**



When conventional economic wisdom repeat-edly fails, it becomes necessary to revisit that conventional wisdom. Government spending fails to stimulate economic growth because every dollar Congress "injects" into the economy must first be taxed or borrowed out of the economy. Thus, government spending "stimulus" merely redistributes existing income, doing nothing to increase productivity or employment, and therefore nothing to create additional income. Even worse, many federal expenditures weaken the private sector by directing resources toward less productive uses and thus impede income growth.

<http://www.heritage.org/Research/Budget/bg2208.cfm>

**EMERGENCY SPENDING: \$333 BILLION TAB BUSTED THE BUDGET IN 2008. By Brian M. Riedl. Heritage Foundation WebMemo #2127. November 10, 2008**



Congress and President Bush enacted at least \$333 billion in "emergency" spending in the just-completed 2008 fiscal year. This total excludes the \$700 billion financial market rescue, \$42 billion in tax rebate outlays from the first economic stimulus package, and a \$61 billion stimulus package that passed the House but not the Senate. While some of this spending may have been for worthy programs, much was routine expenditures given the emergency designation simply to evade spending caps and Pay-As-You-Go (PAYGO) rules. If President-elect Barack Obama and Congress continue this practice, it will further drive up the budget deficit and render all budget controls

obsolete.

[http://www.heritage.org/Research/Budget/upload/wm\\_2127.pdf](http://www.heritage.org/Research/Budget/upload/wm_2127.pdf)

**CHINA'S STIMULUS PLAN: REPACKAGED AND MISDIRECTED. By Derek Scissors, Ph.D. Heritage Foundation WebMemo #2128. 10 November 2008**

On November 9, China launched a widely anticipated stimulus program comprising no less than 16 percent of China's annual GDP, or \$586 billion. This percentage is an eye popping figure, which is exactly the intended effect. In substance, the program is largely a repackaging of previous measures designed to immediately bolster domestic confidence and spin Chinese participation in the upcoming G-20 global financial meetings.

<http://www.heritage.org/Research/AsiaandthePacific/wm2128.cfm>

**HOW TO SUCCESSFULLY STIMULATE THE ECONOMY. Heritage Foundation. William W. Beach. October 24, 2008. 09AD095**

When the economy is struggling, Congress has a tendency to invoke the same tried and failed policies of the past. Typically, these policies promise hundreds of billions of dollars in government spending while doing little to actually revitalize economic activity. According to Beach, the test for distinguishing good stimulus ideas from bad ones should be this: Is the proposal likely to raise the economy to a sustained, higher level of growth?

[http://www.heritage.org/Research/Economy/upload/wm\\_2113.pdf](http://www.heritage.org/Research/Economy/upload/wm_2113.pdf)



## HOOVER INSTITUTION

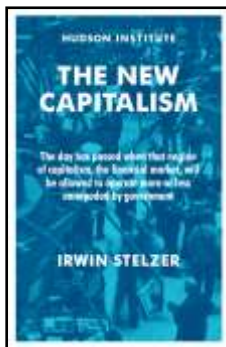
**WHAT THE FASTEST-GROWING COUNTRIES CAN TEACH US; An Interview. By Michael Spence. Hoover Digest 2008 No.4.**

Why do some countries succeed when others struggle? That is what Nobel laureate A. Michael Spence and the Commission on Growth and Development, which Spence chaired, set out to discover in their landmark study *The Growth Report: Strategies for Sustained Growth and Inclusive Development*, May 2008; (see page 36) of the world's thirteen fastest-growing economies. Spence was interviewed about the report in Foreign Policy.

After leading a two-year study of the world's surging economies, Hoover senior fellow Michael Spence wants to put their example to work.

<http://www.hoover.org/publications/digest/30919564.html>

## HUDSON INSTITUTE



### **THE NEW CAPITALISM. Irwin Stelzer, Senior Fellow and Director of Economic Policy Studies for the Hudson Institute. Hudson Institute, October 29, 2008**

A revolution has succeeded when the opponents of change capitulate. Which is what has happened in America in the past several months: a conservative Republican President, a conservative central banker, and the former head of the most successful investment bank in the world combined to agree with capitalism's left-leaning critics that fundamental change is required. Game, set and match to the revolutionaries. If you

doubt that, consider only the change in the position of the President and his Treasury Secretary, who have gone from seeking the demise of Freddie Mac and Fannie Mae to preserving their role in extending home ownership to the socially optimum level. And if you want more proof of the capitulation of the free market set, note that Alan Greenspan, a devoted disciple of Ayn Rand, hardly shrugged when he called for the establishment of a panel of financial wise men to tell the government which troubled financial institutions are worthy of government-funded bailouts, and which should be allowed to pass from the scene.

[http://www.hudson.org/files/publications/Stelzer\\_Capitalism\\_1.pdf](http://www.hudson.org/files/publications/Stelzer_Capitalism_1.pdf)

### **SECURITY ASPECTS OF THE SOUTH STREAM PROJECT. By Zeyno Baran. Hudson Institute, October 23, 2008 © European Parliament, 2008**

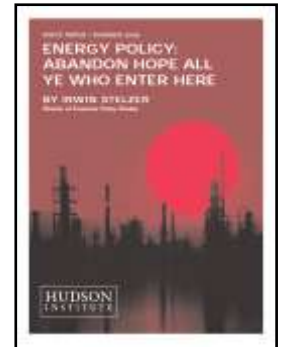
South Stream is a joint project by the Russian firm Gazprom and the Italian company Eni to develop a pipeline to transport gas to European markets. If it is constructed, the impact of South Stream, projected to be the most expensive pipeline ever built, will be significant not only for Europe's energy supplies, but also for its security and its foreign relations. This paper aims to provide an insight into security-related issues in the context of this planned project. It is intended as a background document for use by the Committee on Foreign Policy during its deliberations and its preparation of a report on this subject. The paper seeks to assess whether the South Stream project will subject traditional transit states and their neighbours to outside economic and political influence. Its assessments are based not only on the already existing agreements between the parties concerned, but also on likely future developments. It aims to provide an overall political and security framework for analysing the project, and presents recommendations regarding the development of effective transit mechanisms for the supply of energy resources across EU and non-EU territory.

<http://www.hudson.org/files/publications/Baran-South%20Stream%20for%20EP.pdf>

**ENERGY POLICY: ABANDON HOPE ALL YE WHO ENTER HERE. Irwin Stelzer.  
Hudson Institute, August 15, 2008**

No energy policy discussion is worth having if it does not start with a hard fact: there is no practical alternative to continued U.S. dependence on crude oil imported from nations that at best do not wish us well, and at worst wish us serious harm.<sup>1</sup> To borrow a formulation from Irving Kristol, or perhaps it was Daniel Patrick Moynihan, we do not have an energy problem, we have an energy condition. Problems can be solved, our energy condition can only be coped with—and then only if we act in the future with a greater sense of urgency and greater intelligence than we have in the past.

<http://www.hudson.org/files/publications/Stelzer.pdf>



**INSTITUTE FOR STUDY OF LABOR**



**WHO BECOMES AN ENTREPRENEUR? LABOR MARKET PROSPECTS AND OCCUPATIONAL CHOICE. Markus Poschke.  
IZA DP No. 3816. Institute for Study of Labor, November 2008**

Why do some people become entrepreneurs (and others don't)? Why are firms so heterogeneous, and many firms so small? To start, the paper briefly documents evidence from the empirical literature that the relationship between entrepreneurship and education is U-shaped, that many entrepreneurs start a firm "out of necessity", that most firms are small, remain so, yet persist in the market, and that returns to

entrepreneurship have a much larger cross-sectional variance than returns to wage work. Popular models of firm heterogeneity cannot easily account for the U-shape or for the persistence of low-productivity firms. The paper shows that these facts can be explained in a model of occupational choice between wage work and entrepreneurship where agents are heterogeneous in their ability as workers, and starting entrepreneurs face uncertainty about their project's productivity.

<http://ftp.iza.org/dp3816.pdf>

**INTER-AMERICAN DEVELOPMENT BANK**

**SYSTEMIC SUDDEN STOPS: THE RELEVANCE OF BALANCE-SHEET EFFECTS AND FINANCIAL INTEGRATION. Izquierdo, J. Alejandro, Calvo, Guillermo; Mejia, Luis Fernando. Inter-American Development Bank, Jul, 2008**

Using a sample of 110 developed and developing countries for the period 1990- 2004, this paper analyzes the characteristics of systemic sudden stops (3S) in capital flows and the relevance of balance-sheet effects in the likelihood of their materialization. A small supply of tradable goods relative to their domestic absorption a proxy for potential changes in the real exchange rate and large foreign-exchange denominated debts towards the domestic banking system are claimed to be key determinants of the probability of 3S, producing a balance-sheet effect with non-linear impacts on the probability of 3S.

While financial integration is up to a point associated with a higher likelihood of 3S, beyond that point financial integration is associated with a lower likelihood of 3S.

<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1540743>



**BREAKING CREDIBILITY IN MONETARY POLICY: THE ROLE OF POLITICS IN THE STABILITY OF THE CENTRAL BANKER. Miguel Ricardo Rueda R. Inter-American Development Bank, July 2008**

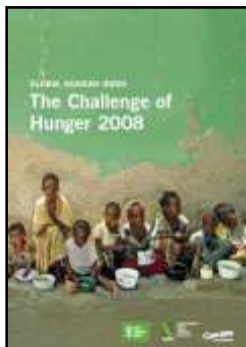


This paper studies the relationship between the hazard rate of the exit of a president of a central bank and a measure of credibility in monetary policy. The expected hazard rate of exit is estimated as a function of legal and political variables. The measure of credibility is the expected probability of a disinflation beginning when inflation is rising. For a sample of 22 Latin American and G7 countries, I find a negative relationship between the hazard rate of exit and the measure of credibility. This provides evidence of the expected relationship between independence and credibility not found in previous cross country studies.

Using the executive's party ideology as a measure of aversion to inflation, there was no evidence that this relationship is different for countries where the government is identified as more conservative. However, when a president of the central bank appointed by a conservative government is in office, a rise in the probability of a disinflation beginning when inflation was rising was found. The results show that legal independence after controlling for the hazard rate of the president's exit is not associated with credibility gains.  
<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1535510>

**INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE (IFPRI)**

**THE CHALLENGE OF HUNGER 2008. International Food Policy Research Institute. Klaus Von Grebmer et al. October 14, 2008. 09AD082**



The report comes at a time of dramatic changes in world food markets, with high food prices threatening the food security of millions of vulnerable households. Hunger and malnutrition are back in the headlines. The report incorporates data only until 2006, the most recent available. However, it highlights the countries and regions facing the greatest risk in the current context of high food prices. 33 countries have levels of hunger that are alarming or extremely alarming. The index shows that South Asia and Sub-Saharan Africa continue to suffer from high levels of hunger, and whereas South Asia has made rapid progress in combating hunger, Sub-Saharan Africa has made only marginal

progress. For hungry and malnourished people in these regions, rising food prices pose serious threats.

<http://www.ifpri.org/pubs/cp/ghi08.pdf> [PDF format, 44 pages].



**FOOD PRICES AND THE AIDS RESPONSE. International Food Policy Research Institute. Stuart Gillespie. August 2008. 08AD1014**

A combination of new and ongoing forces is driving global food prices. Hunger and HIV often coexist and interact. According to the World Food Programme, 22 of 30 "high-risk countries" in need of external food assistance are in sub-Saharan Africa, many of which have serious AIDS epidemics. In southern Africa where AIDS is

hyper endemic, high levels of income inequality and population mobility are among the key drivers of the epidemic, factors that are likely to be further affected by food price shocks. Households and communities continue to struggle as multiple shocks and stresses, social, economic, political, environmental, and health-related, threaten their livelihood bases. <http://www.ifpri.org/renewal/pdf/RFbrief01.pdf> [PDF format, 2 pages].

## INTERNATIONAL LABOUR ORGANIZATION (ILO)

### **WORLD OF WORK REPORT 2008. International Labour Organization. November 2008. 09AD103**

Despite strong economic growth that produced millions of new jobs since the early 1990s, income inequality grew dramatically in most regions of the world and is expected to increase due to the current global financial crisis, according to the new study. It notes that a major share of the cost of the financial and economic crisis will be borne by hundreds of millions of people who haven't shared in the benefits of recent growth.

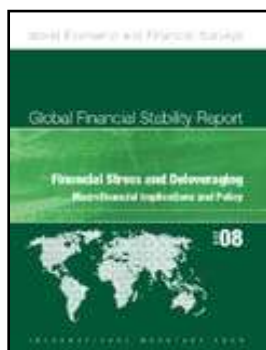
[Note: contains copyrighted material]

<http://www.ilo.org/public/english/bureau/inst/download/world08.pdf>



## INTERNATIONAL MONETARY FUND

### **GLOBAL FINANCIAL STABILITY REPORT: Financial Stress and Deleveraging Macro-Financial Implications and Policy. World Economic and Financial Surveys. International Monetary Fund, October 2008**



With financial markets worldwide facing growing turmoil, internationally coherent and decisive policy measures will be required to restore confidence in the global financial system. Failure to do so could usher in a period in which the ongoing deleveraging process becomes increasingly disorderly and costly for the real economy. In any case, the process of restoring an orderly system will be challenging, as a significant deleveraging is both necessary and inevitable. It is against this challenging and still evolving backdrop that the Global Financial Stability Report (GFSR) frames the recent events to suggest potential policy measures that could be helpful in the current

circumstances.

<http://www.imf.org/external/pubs/ft/gfsr/2008/02/index.htm>



### **THE ROAD AHEAD FOR LOW-INCOME COUNTRIES. FINANCE & DEVELOPMENT, IMF September 2008**

Many of the world's low-income countries are again having to make tough policy choices. With food and oil prices touching record highs and global growth on a down trend, countries battling to reduce poverty levels need to juggle to curb inflation, while maintaining growth and social spending. The downturn comes at a time when

things were starting to look better for low-income countries, particularly in sub-Saharan Africa, where some economies are now successfully attracting international investors and are seen as a new tier of “frontier” emerging markets (see David Nellor’s article in this issue).  
<http://www.imf.org/external/pubs/ft/fandd/2008/09/pdf/fd0908.pdf>

## JAMES A. BAKER III INSTITUTE FOR PUBLIC POLICY, RICE UNIVERSITY

### **THE FINANCIAL CRISIS OF 2008. Discussion by John Diamond, Edward A. and Hermena Hancock . James A. Baker Institute. October 31, 2008**

John Diamond, Edward A. and Hermena Hancock Kelly Fellow in Tax Policy at the Baker Institute, discusses the financial crisis of 2008 in a piece based on his Oct. 15, 2008, speech to the River Oaks Women’s Breakfast Club in Houston, Texas.

Diamond contends the current financial crisis is the result of well-intentioned — but economically unsound — policies that were initiated and implemented by the federal government and private sector firms. He provides a history of the events leading up to the crisis, and then examines the immediate policies that have been proposed to stabilize the economy in the short term. He also mentions some long-term reforms that could help reduce the likelihood of asset price bubbles in the future. Finally, Diamond points out a few policies that should be rejected because they would increase the risk of a severe economic recession or depression.

<http://www.bakerinstitute.org/publications/TEPP-pub-financialcrisisspeech-103008.pdf>

## LEVY ECONOMICS INSTITUTE

### **THE BUFFETT PLAN FOR REDUCING THE TRADE DEFICIT. Levy Economics Institute, Bard College. Dimitri B. Papadimitriou et al. July 2008. 08AD910**

The paper examines a plan proposed by Warren Buffett, in which importers would be required to obtain certificates proportional to the amount of non-oil goods and possibly also services they brought into the country. These certificates would be granted to firms that exported goods. Exporting firms could then sell certificates to importing firms on an organized market.

Starting from a relatively neutral projection of all major variables for the U.S. economy, the report estimates that the plan would raise the price of imports by approximately 9 percent, quickly reducing the current account deficit to about 2 percent of GDP.

The possible instability in the price of certificates and retaliation by U.S. trade partners are included in the paper.

[http://www.levy.org/pubs/wp\\_538.pdf](http://www.levy.org/pubs/wp_538.pdf) [PDF format, 40 pages].

### **THE UNPAID CARE WORK-PAID WORK CONNECTION. Levy Economic Institute, Bard College. Rania Anonopoulos. Web posted August 6, 2008. 08AD973**

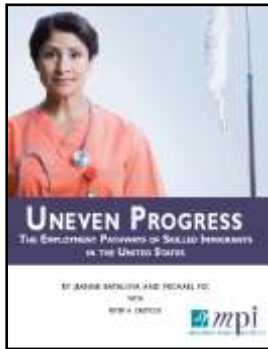
The gender-based wage differentials and occupational segregation continue to characterize the division of labor among men and women in paid work. However, unpaid work in social reproduction, subsistence production, family businesses, and the community is often ignored.

Beyond the obvious gender inequalities, unpaid work constitutes an integral part of any functioning economy, and as such is linked to economic growth, government policy, migration, and many development issues. The paper concludes that gender equality must be understood through the paid–unpaid work continuum.

[http://www.levy.org/pubs/wp\\_541.pdf](http://www.levy.org/pubs/wp_541.pdf) [PDF format, 96 pages].

## MIGRATION POLICY INSTITUTE

### **UNEVEN PROGRESS: THE EMPLOYMENT PATHWAYS OF SKILLED IMMIGRANTS IN THE UNITED STATES. Migration Policy Institute. Jeanne Batalova and Michael Fix. Web posted October 25, 2008. 09AD100**



More than 1.3 million college-educated immigrants living in the United States are unemployed or working as taxi drivers, dishwashers, security guards or in other unskilled jobs because they are unable to make full use of their academic and professional credentials, according to the report. The report quantifies the scope of the ‘brain waste’ problem that affects 22 percent of the 6.1 million immigrants with a bachelor’s degree or higher who are in the U.S. labor market. It analyzes and offers possible solutions for the credentialing and language-barrier hurdles that deprive the U.S. economy of a rich source of human capital at a time of increasing competition globally

for skilled talent.

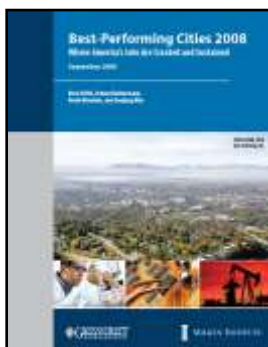
<http://www.migrationpolicy.org/pubs/BrainWasteOct08.pdf> [PDF format, 70 pages].

### **MANAGING TEMPORARY MIGRATION: LESSONS FROM THE PHILIPPINE MODEL. Migration Policy Institute. Dovelyn Rannveig Agunias. October 2008. 09AD029**

Developing countries can proactively manage large-scale, systematic, and legal movement of temporary migrant workers. The report analyzes the system the Philippines uses to manage the temporary migration of millions of Filipinos who work in countries around the globe. For many, the Philippines' system of managing temporary migration has unrivaled sophistication, making it a model for other developing countries hoping to access the benefits of global labor mobility.

[http://www.migrationpolicy.org/pubs/Insight\\_POEA\\_Oct07.pdf](http://www.migrationpolicy.org/pubs/Insight_POEA_Oct07.pdf) [PDF format, 44 pages].

## MILKEN INSTITUTE



### **BEST-PERFORMING CITIES 2008: WHERE AMERICA’S JOBS ARE CREATED AND SUSTAINED. Milken Institue. Ross DeVol et al. September 2008. 08AD1064**

Provo, Utah, with its high-tech status, is placed on the top and is joined by other growing technology-based and global trade centers in Utah, Texas, Washington, Alabama and the Carolinas. The rebounding technology sector boosted several newcomers to the top 10 in the annual ranking of where America’s jobs are being created and



sustained, and metros that are highly dependent on export-intensive industries also showed success. Several past leading cities fell due to the national decline in housing and construction markets, and metros that remain concentrated in manufacturing continue lag in the rankings.

<http://www.milkeninstitute.org/pdf/bpc2008.pdf> [PDF format, 62 pages].

**WRITER'S STRIKE OF 2007-2008: THE ECONOMIC IMPACT OF DIGITAL DISTRIBUTION. Milken Institute. Kevin Klowden and Anusuya Chatterjee. Web posted June 8, 2008. 08AD820**



The entertainment industry is still recovering from the effects of the work stoppage and digesting the implications of the new labor agreement. Revenue sharing from digital media was at the heart of the dispute and production was shut down on numerous films and many of television's most popular shows. The writers' strike has also had significant and lingering effects on television viewers, causing a decline in revenues for the broadcast networks. The report reviews the overall effects of the writers' strike on California's economy and the underlying causes of the dispute, examining in particular how the growing market for new media has changed the dynamics of the

entertainment industry.

[http://www.milkeninstitute.org/pdf/writers\\_strike.pdf](http://www.milkeninstitute.org/pdf/writers_strike.pdf) [PDF format, 38 pages].

## **NATIONAL BUREAU OF ECONOMIC RESEARCH**

**THE FLATTENING FIRM AND PRODUCT MARKET COMPETITION: THE EFFECT OF TRADE LIBERALIZATION. Maria Guadalupe, Julie Wulf. NBER Working Paper No. 14491. Issued in November 2008**

This paper establishes a causal effect of competition from trade liberalization on various characteristics of organizational design. We exploit a unique panel dataset on firm hierarchies (1986-1999) of large U.S. firms and find that increasing competition leads firms to become flatter, i.e., (i) reduce the number of positions between the CEO and division managers (DM), (ii) increase the number of positions reporting directly to the CEO (span of control), (iii) increase DM total and performance-based pay. The results are generally consistent with the explanation that firms redesign their organizations through a set of complementary choices in response to changes in their environment.

<http://www.nber.org/papers/w14491.pdf>

**MUCH ADO ABOUT NOTHING: AMERICAN JOBS AND THE RISE OF SERVICE OUTSOURCING TO CHINA AND INDIA. National Bureau of Economic Research. Runjuan Liu and Daniel Trefler. June 2008. 08AD826**

The study examines the impact on U.S. labor markets of offshore outsourcing in services to China and India. It also considers the reverse flow or 'in shoring' which is the sale of services produced in the United States to unaffiliated buyers in China and India. The impacts on occupation and industry switching, weeks spent unemployed as a share of weeks in the labor



force, and earnings are analyzed. The results indicate that there are small positive effects of in shoring and smaller negative effects of offshore outsourcing.

<http://www.nber.org/papers/w14061.pdf> [PDF format, 64 pages].

**GLOBAL TRADE AND THE MARITIME TRANSPORTATION REVOLUTION.  
National Bureau of Economic Research. David S. Jacks and Krishna Pendakur. June 2008. 08AD900**

What is the role of transport improvements in globalization? The study argues that the nineteenth century is the ideal testing ground for this question: freight rates fell on average by 50% while global trade increased 400% from 1870 to 1913. The study estimates the first indices of bilateral freight rates for the period and directly incorporates these into a standard gravity model. The results are striking as there is no evidence that the maritime transport revolution was the primary driver of the late nineteenth century global trade boom. Rather, the most powerful forces driving the boom were those of income growth and convergence.

<http://www.nber.org/papers/w14139.pdf> [PDF format, 42 pages].

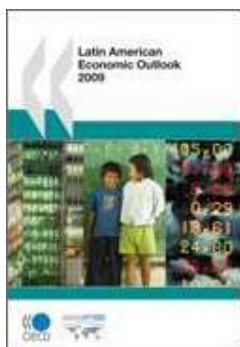
**HOW MUCH OF CHINESE EXPORTS IS [sic] REALLY MADE IN CHINA?:  
ASSESSING DOMESTIC VALUED ADDED WHEN PROCESSING TRADE IS  
PERVERSE. National Bureau of Economic Research. Robert Koopman et al. June 2008. 08AD885**

As China's export juggernaut employs many imported inputs, there are many policy questions for which it is crucial to know the extent of domestic and foreign value added in its exports. According to the report, the share of foreign content in China's exports is at about 50%. There are also variations across sectors and firm ownership. Those sectors that are likely labeled as relatively sophisticated such as electronic devices have particularly high foreign content (about 80%). Foreign-invested firms also tend to have higher foreign content in their exports than do domestic firms.

[http://www.nber.org/papers/w14109.pdf?new\\_window=1](http://www.nber.org/papers/w14109.pdf?new_window=1) [PDF format, 28 pages].

**ORGANISATION OF ECONOMIC CO-OPERATION AND DEVELOPMENT  
(OECD)**

**LATIN AMERICAN ECONOMIC OUTLOOK 2009. OECD**



Are Latin American governments maximising the potential of fiscal policy as a development tool? This 2009 edition of the annual OECD Latin American Economic Outlook analyses the progress governments in the region have achieved in the fiscal realm during the last decade. It concludes that they could do much more to exploit the ability of fiscal policy to boost economic growth and combat poverty and inequality. In the current context of global financial turmoil, the relevance of fiscal management is more important than ever. This is essential reading for those who want to know more about fiscal policy in Latin America, its impact on development and the challenges that lie ahead.

<http://www.oecd.org/dev/publications/leo>

**FDI SPILLOVERS AND THEIR INTERRELATIONSHIPS WITH TRADE.**

**Organisation for Economic Co-operation and Development. Molly Leshner and Sebastien Miroudot. October 7, 2008. 09AD022**

Foreign direct investment (FDI) represents an increasingly important dimension of international economic integration with global FDI flows growing faster than output over the past two decades.

<http://www.oecd.org/dataoecd/63/42/41457019.pdf> [PDF format, 40 pages].

**REPORT ON INFORMAL EMPLOYMENT IN ROMANIA. Organisation for Economic Co-operation and Development. Jante Parelevliet and Theodora Xenogiani. Web posted July 14, 2008. 08AD886**



Informal employment is one of the key features of the Romanian labor market and the main concerns of the Romanian government. Informal employment is not new in Romania. A second economy was present in the communist era, and took various forms, ranging from family farming to off-the-books payments and misappropriation in state-owned enterprises. Informal employment persists in Romania, in spite of continuous economic growth in recent years. It represents today between 20 and 50 per cent of total employment, depending on the definition used. On the one hand, active labor market policies combined with well designed social assistance programs can be used to address

informal work for those with no other alternatives. On the other hand, better control, inspection and enforcement are needed for those who choose to be informal.

<http://www.oecd.org/dataoecd/19/13/41012694.pdf> [PDF format, 83 pages].

**TRADE-BASED MONEY LAUNDERING. Financial Action Task Force (FATF)/OECD. June 23, 2006. 06AD260**

The primary focus of this study is trade-based money laundering involving the international exchange of goods, and the false documentation and declaration of traded goods and services.

This study notes that customs and law-enforcement agencies, financial intelligence units, tax authorities, and banking supervisors currently face similar challenges with respect to understanding the techniques of trade-based money laundering and detecting such activities. There appears to be a number of practical steps that could initially be taken to improve the capacity of national authorities to cope with trade-based money laundering. These steps can be summarized as building better awareness, strengthening measures to identify trade-based illicit activity, and improving international cooperation.

<http://www.fatf-gafi.org/dataoecd/60/25/37038272.pdf> [pdf format, 44 pages]

## NATIONAL CENTER FOR POLICY ANALYSIS



### **NUCLEAR RENAISSANCE: ATOMS TO POWER THE FUTURE. National Center for Policy Analysis. Ross Wingo and H. Sterling Burnett. Web posted October 25, 2008. 09AD098**

The time is right for a reemergence of nuclear energy, according to the analysis. "As critics argue that nuclear power isn't a good option for various reasons and presidential candidates decry the use of foreign oil, I still have yet to hear of an alternative solution that addresses both the concerns of rising demand for electricity and reducing U.S. dependence on foreign imports," said NCPA Senior Fellow Sterling

Burnett and co-author of the report.

<http://www.ncpa.org/pub/ba/ba635/ba635.pdf> [PDF format, 2 pages].

## NATIONAL CENTER FOR PUBLIC POLICY RESEARCH

### **PENSIONS IN PERIL: ARE STATE OFFICIALS RISKING PUBLIC EMPLOYEES RETIREMENT BENEFITS BY PLAYING GLOBAL WARMING POLITICS? National Center for Public Policy Research. Steven J. Milloy and Thomas Borelli. Web posted September 29, 2008. 09AD039**

Global warming has emerged as an important issue for investors, including state and local pension funds. Although global warming regulation appears likely to cause significant adverse impacts to the broad economy and stock market, a substantial minority of state and local pension funds are nonetheless actively promoting global warming regulation, while the majority of state and local pension funds have yet to promote or oppose such regulation. Compounding this problem is the fact that many of these pension fund systems are dangerously under funded and are relying on predicted investment returns that are unlikely to occur.

<http://www.nationalcenter.org/NPA575.html> [HTML format, various paging].

## PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS

### **THE EURO AT 10: THE NEXT GLOBAL CURRENCY? Keynote speakers: Joaquín Almunia, Lorenzo Bini Smaghi, Dominique Strauss-Kahn, and Christian Noyer. A joint conference sponsored by the Peterson Institute for International Economics and Bruegel. Peterson Institute, Washington, DC. October 10, 2008**

IMF Managing Director Dominique Strauss-Kahn gave his first major public speech surrounding the IMF/World Bank Annual Meetings at the conference "The Euro at 10: The Next Global Currency?" The all-day conference, cohosted by the Peterson Institute and Brussels-based think tank Bruegel, explored questions centered on how the current global financial crisis will affect the relative positions of the euro and the dollar as global currencies.

[http://www.petersoninstitute.org/events/event\\_detail.cfm?EventID=89](http://www.petersoninstitute.org/events/event_detail.cfm?EventID=89)

**DISTANCE ISN'T QUITE DEAD: RECENT TRADE PATTERNS AND MODES OF SUPPLY IN COMPUTER AND INFORMATION SERVICES IN THE UNITED STATES AND NAFTA PARTNERS. Jacob Funk Kirkegaard, Peterson Institute for International Economics, October 2008 W P 0 8 - 1 0**

This paper evaluates the statistical strengths and weaknesses of available data on US trade in computer and information services and estimates the scope of delivery through General Agreement on Trade in Services (GATS) modes 1 (cross-border supply), 3 (commercial presence), and 4 (presence of foreign nationals). Trade values are estimated using a new methodology that adheres, to the greatest extent possible, to the definitions of modes of supply in the 2002 Manual on Statistics of International Trade in Services.

<http://www.petersoninstitute.org/publications/wp/wp08-10.pdf>

**FINANCIAL REPRESSION IN CHINA. Nicholas R. Lardy, Peterson Institute for International Economics. Peterson Institute for International Economics. POLICY BRIEF 08-8**



The Chinese banking system has improved significantly over the past decade, but in one critical respect, it appears to have regressed. The People's Bank of China controls interest rates in a way that has led to significant financial repression—low and now negative real return on deposits—as inflation has risen in recent years. This distorted interest rate structure is a significant obstacle to further reform of the financial system and to sustaining China's rapid economic growth. Financial repression costs Chinese households about 255 billion renminbi (US\$36 billion), 4.1 percent of China's GDP, and a fifth of it goes to corporations, one-quarter to banks, and the government assumes the

rest.

<http://www.petersoninstitute.org/publications/pb/pb08-8.pdf>



**NEW ESTIMATES OF FUNDAMENTAL EQUILIBRIUM EXCHANGE RATES. Peterson Institute for International Economics. William R. Cline and John Williamson. Web posted August 7, 2008. 08AD941**

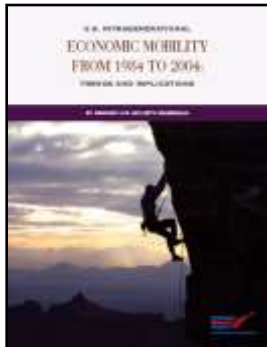
The study concludes that the dollar is still significantly overvalued against a number of Asian currencies, most prominently the Chinese renminbi and the Japanese yen. The renminbi needs to rise by about 30 percent against the dollar and the yen should strengthen by about 20 percent. A number of other Asian currencies also need to appreciate

substantially. The study also concludes that the euro and the pound are now overvalued on average.

<http://www.petersoninstitute.org/publications/pb/pb08-7.pdf> [PDF format, 20 pages].

## PEW

### **U.S. INTRAGENERATIONAL ECONOMIC MOBILITY FROM 1984 TO 2004: TRENDS AND IMPLICATIONS. Gregory Acs And Seth Zimmerman. Pew Economic Mobility Project. October 2008.**



The crucial question is what has happened to economic mobility. Increasingly, Americans feel that they cannot get ahead, and that it is even hard to keep up. A recent public opinion poll revealed that over half of all Americans believe they have not moved forward, and nearly one-third say they have fallen back. Further, only 41 percent say they are better off now than they were five years ago—the lowest level in nearly 50 years. Meanwhile, the share of those saying they are worse off than they were five years ago reached 31 percent, the highest it has been in almost half a century.

Clearly the steady drumbeat of bad economic news—from the housing crisis to the credit crisis, from growing unemployment to the rapid rise in fuel and food prices—has weighed heavily on the real and perceived well-being of Americans. Yet the question remains: has it gotten harder for Americans to get ahead and stay ahead? To address that question, the authors examine trends in U.S. intragenerational income mobility over the past two decades. [http://www.economicmobility.org/assets/pdfs/PEW\\_EMP\\_1984\\_TO\\_2004.pdf](http://www.economicmobility.org/assets/pdfs/PEW_EMP_1984_TO_2004.pdf)

### **GLOBAL ECONOMIC GLOOM - CHINA AND INDIA NOTABLE EXCEPTIONS; SOME POSITIVE SIGNS FOR U.S. IMAGE. Pew Global Attitudes Project, June 12, 2008**

Favorable views of the United States have increased modestly since 2007 in 10 of 21 countries where comparative data are available. Perhaps more importantly, the polling finds many people around the world paying close attention to the U.S. presidential election. Moreover - except in countries that are extremely anti-American - those who are paying attention generally believe the next president may well change U.S. foreign policy for the better. In nearly every country surveyed, greater numbers express confidence in presidential candidate Barack Obama than in John McCain.

However, the survey of more than 24,000 people in 24 countries, conducted March 17 to April 21, finds another change in global opinion that could present a formidable challenge to the United States in the future. Around the world, people have a new concern: slumping economic conditions. And they have a familiar complaint - most think the U.S. is having a considerable influence on their economy, and it is largely seen as a negative one. <http://pewglobal.org/reports/pdf/260.pdf>

## RAND

### **ENVIRONMENT, ENERGY, AND ECONOMIC DEVELOPMENT. RAND Corporation. Web posted October 10, 2008 09AD052**

Alternative sources of fossil fuels such as oil sands and coal-to-liquids have significant economic promise, but the environmental consequences must also be considered, according



to the study. It provides a review of coal-to-liquids and Canadian oil sands technologies, considers possible impacts on fuel costs from future limitations on carbon dioxide emissions, and compares costs of the alternative fossil fuels to conventional petroleum fuels in 2025. Development of oil sands can also cause large-scale disturbances of land and habitat.  
[http://www.rand.org/pubs/technical\\_reports/2008/RAND\\_TR580.pdf](http://www.rand.org/pubs/technical_reports/2008/RAND_TR580.pdf)  
[PDF format, 98 pages].

**DO NEIGHBORHOOD ECONOMIC CONDITIONS INFLUENCE THE CONSUMPTION OF FRUITS AND VEGETABLES? RAND Corporation. Web posted August 31, 2008. 08AD1026**

The fact sheet summarizes a study examining the variation of the intake of fruits and vegetables for blacks, whites, and Mexican Americans, in addition to the relationship between neighborhood socioeconomic status and this intake.  
[http://www.rand.org/pubs/research\\_briefs/2008/RAND\\_RB9375.pdf](http://www.rand.org/pubs/research_briefs/2008/RAND_RB9375.pdf) [PDF format, 3 pages].

## RENEWABLE FUELS ASSOCIATION



**WILL THE PLUNGE IN GRAIN PRICES MEAN LOWER FOOD PRICES AT THE SUPERMARKET? Renewable Fuels Association. October 15, 2008. 09AD080**

The 2008 corn, wheat, and soybean crops are well on their way to being among the largest ever in the United States. According to the U.S. Department of Agriculture's Crop Production Report, farmers are expected to produce the second-largest corn crop ever, the largest wheat crop in over 10 years, and the fourth-largest soybean crop on record. USDA's most recent report estimated the 2008 corn crop at 12.2 billion bushels with an average yield per acre of 154 bushels. The expectation of increased production, coupled with a decrease in speculative investment in the commodities markets and recent fall in oil prices, has led to sharply lower grain prices in recent weeks. Based on the recent arguments of the grocery industry, meat processors and others, lower grain prices should mean lower retail food prices for consumers. Thus far, however, it seems highly unlikely that reduced grain and oilseed prices alone will lead to lower retail food prices, as there are many complex factors that influence retail food pricing.  
[http://www.ethanolrfa.org/objects/documents/1945/will\\_the\\_plunge\\_in\\_grain\\_prices\\_mean\\_lower\\_food\\_prices\\_at\\_the\\_supermarket.pdf](http://www.ethanolrfa.org/objects/documents/1945/will_the_plunge_in_grain_prices_mean_lower_food_prices_at_the_supermarket.pdf)

## RUTGERS UNIVERSITY



**THE ANXIOUS AMERICAN WORKER. Edward J. Bloustein School of Planning and Public Policy, Rutgers University. Krista Jenkins et al. Web posted August 27, 2008. 08AD1024**

The report presents the latest snapshots of the American worker. It is framed by overall disquiet about the economy, depicting anxious workers trying to adjust to change in their current jobs and to uncertainty about their future work life. The survey finds a widely

shared belief among U.S. workers that they need additional education or training to remain successful, and that they are underpaid for what they do. The responses also reflect an inability or unwillingness to adequately prepare for retirement. Overall job satisfaction remains high, with 91% reporting that they are satisfied with their job, with 40% of workers very satisfied with opportunities for job training and education. However, there is a great deal of anxiety in the workforce as the general election of 2008 comes closer.

<http://www.heldrich.rutgers.edu/uploadedFiles/Publications/Work%20Trends%20August%202008.pdf>

## SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL

### **TRADE, THE ECONOMY AND SMALL BUSINESS. Small Business & Entrepreneurship Council. Web posted June 6, 2008. 08AD806**

The study explains the economics of free trade, the ills of protectionism, and corrects mistaken thinking on such issues as imports and trade deficits. It also reveals the tremendous economic benefits that have resulted from NAFTA, including a 236% increase in U.S. goods exports to Mexico from 1992 to 2007, compared to inflation running at 39% over the same period. The report highlights the economic benefits of expanded trade with the three nations, Colombia, South Korea and Panama, the U.S. has pending free trade deals.

[Note: contains copyrighted material]

<http://www.sbecouncil.org/uploads/SBEC%20polseries%2031%20-%20TradeEconomy.pdf> [PDF format, 12 pages].

## UNITED NATIONS

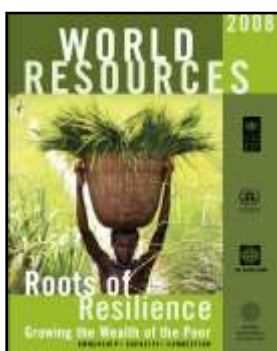


### **THE STATE OF FOOD AND AGRICULTURE 2008. U.N. Food Agriculture Organization. Web posted October 15, 2008. 09AD063**

The report explores the implications of the recent rapid growth in production of bio-fuels based on agricultural commodities. The boom in liquid bio-fuels has been largely driven by policies in developed countries in support of climate-change mitigation, energy security and agricultural development. The growing demand for agricultural commodities for the production of bio-fuels is having significant repercussions on agricultural markets, and concerns are mounting over their negative impact on the

food security of millions of people across the world.

<ftp://ftp.fao.org/docrep/fao/011/i0100e/i0100e.pdf> [PDF format, 138 pages].



### **WORLD RESOURCES 2008: ROOTS OF RESILIENCE – GROWING THE WEALTH OF THE POOR. United Nations Development Programme et al. Web posted October 13, 2008. 09AD049**

Expanding nature-based enterprises can increase income for the world's rural poor. This approach, as outlined in the report, can also develop the rural poor's resilience to social and environmental threats such as climate change. Three-quarters of the 2.6 billion people who

live on less than \$2 a day are dependent upon local natural resources for their livelihoods. Threats such as climate change and ecosystem degradation are beginning to strain those livelihoods, and it will be necessary to shape development strategies that build resilience against such threats and ensure stable and prosperous communities.

The report argues that properly fostered nature-based enterprises can improve rural livelihoods and, in the process, create resilience to economic, social, and environmental threats.

[http://pdf.wri.org/world\\_resources\\_2008\\_roots\\_of\\_resilience.pdf](http://pdf.wri.org/world_resources_2008_roots_of_resilience.pdf) [PDF format, 277 pages].

**WORLD ECONOMIC AND SOCIAL SURVEY 2008: OVERCOMING ECONOMIC INSECURITY. Department of Economic and Social Affairs, United Nations. Web posted July 4, 2008. 08AD884**

According to the report, economic insecurity arises from the exposure of individuals, communities and countries to adverse events, and from their inability to cope with and recover from the downside losses. The risk and threats vary from community to community; in advanced countries, they have been associated with a significant rise in inequality, a hollowing out of middle-class lifestyles and reduced welfare protection. Elsewhere, economic shocks and premature deindustrialization have raised fears of an insufficiency of the formal sector jobs needed to accommodate an expanding urban population. In still other places, food insecurity has given rise to political discontent and increased levels of personal insecurity.

<http://www.un.org/esa/policy/wess/wess2008files/wess08/wess2008.pdf> [PDF format, 234 pages].

## UNITED STATES CONFERENCE OF MAYORS

**U.S. METRO ECONOMIES: CURRENT AND POTENTIAL GREEN JOBS IN THE U.S. ECONOMY. United States Conference of Mayors. Web posted October 6, 2008. 09AD040**

According to the study, the U.S. economy currently generates more than 750,000 green jobs, a number that is projected to grow five-fold to more than 4.2 million jobs over the next three decades. The report is the first calculation of its kind to measure how many direct and indirect jobs are in the new and emerging U.S. green economy. Current green jobs are well distributed across the country. Approximately 85% are located in metropolitan areas, while the remaining ones are found in non-metro counties.

<http://www.usmayors.org/pressreleases/uploads/GreenJobsReport.pdf> [PDF format, 41 pages].



## URBAN INSTITUTE



### **WILL EMPLOYERS WANT AGING BOOMERS? Urban Institute. Gordon B.T. Mermin et al. July 2008. 08AD935**

Boomers will probably want to work longer than earlier cohorts, but their continued work requires that employers hire and retain them. Employers value older workers for their maturity, experience and work ethic, but worry about out of date skills and high costs. Slower overall labor supply growth will increase demand for older workers and occupations with higher shares of older workers will increase modestly as a share of all jobs. Future jobs will require less physical demands

and more cognitive and interpersonal skills, trends that favor educated older workers, but job opportunities for less educated older workers may remain limited.

[http://www.urban.org/UploadedPDF/411705\\_aging\\_boomers.pdf](http://www.urban.org/UploadedPDF/411705_aging_boomers.pdf) [PDF format, 71 pages].

### **WHY NOT A “SUPER SIMPLE” SAVING PLAN FOR THE UNITED STATES? Urban Institute. Pamela Perun and C. Eugene Steuerle. Web posted June 8, 2008. 08AD819**



The paper suggests that it is possible to create a “Super Simple” saving plan that would provide a basic, low-cost, easily administrable plan with the potential to increase significantly the retirement assets available to moderate- and middle-income individuals. The basic features of the Super Simple plan resemble the U.K. reform plan, but within a U.S. context. The Super Simple plan would create: solid minimum levels of employer contributions for low- and moderate-income workers, include automatic contribution features for employees who do not formally opt out, remove many of the complex discrimination rules surrounding retirement plans, create a significant

government match for savers to replace the largely symbolic match now in existence for only a few taxpayers, and streamline multiple 401(k)-type plans through a simple plan design attractive to employers and employees alike.

[http://www.urban.org/UploadedPDF/411676\\_simple\\_saving.pdf](http://www.urban.org/UploadedPDF/411676_simple_saving.pdf) [PDF format, 26 pages].

## WORLD BANK

### **GLOBAL FINANCIAL CRISIS: RESPONDING TODAY, SECURING TOMORROW: Background Paper prepared by the World Bank Group. G20 Summit on Financial Markets and the World Economy, Washington, D.C., November 15, 2008**

Many developing countries are moving into a danger zone. Growth in developing-countries had been expected to reach 6.4 percent in 2009, but has been marked down to 4.5 percent. The economies of high-income countries, many of which have already entered into recession, are now expected to contract by 0.1 percent in 2009, with global growth down to 1 percent. There is much uncertainty and even these scenarios could be optimistic. Some developing countries will be hit much harder than the average – experiencing growth which is negative in per capita or even absolute terms.

<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21972885~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>

**THE INCIDENCE OF GRAFT ON DEVELOPING-COUNTRY FIRMS. Alvaro González, J. Ernesto López-Córdova, and Elio E. Valladares. Policy Research Working Paper, World Bank. Web posted November 12, 2007. 08AD249**

Data from 33 African and Latin American countries were used to measure the extent of bribes to firms in developing countries. The findings suggest that graft is more prevalent in countries with excessive regulations and where democracy is weak. The results show that African firms are three times more likely to be asked for bribes than Latin American firms. The authors calculate that graft in Africa could fall approximately 85 percent if democracy levels and regulations were similar to those in Latin America.

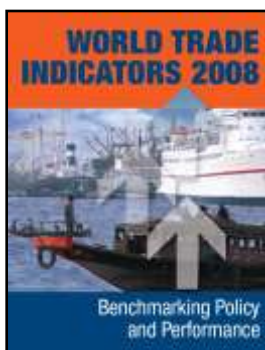
[http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2007/11/12/000158349\\_20071112131416/Rendered/PDF/wps4394.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2007/11/12/000158349_20071112131416/Rendered/PDF/wps4394.pdf)

**THE DEVELOPING WORLD IS POORER THAN WE THOUGHT, BUT NO LESS SUCCESSFUL IN THE FIGHT AGAINST POVERTY. World Bank. Shaohua Chen and Martin Ravallion. Web posted August 26, 2008. 08AD994**

The paper presents a major overhaul to the past estimates of global poverty, incorporating new and better data. Extreme poverty is found to be more pervasive than previously thought. However, the data also provide significant evidence of continually declining poverty incidence and depth since the early 1980s. Progress was uneven across regions. The poverty rate in East Asia fell from 80% to under 20 percent over this period. By contrast it stayed at around 50 percent in Sub-Saharan Africa, though with signs of progress since the mid 1990s.

[http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/08/26/000158349\\_20080826113239/Rendered/PDF/WPS4703.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/08/26/000158349_20080826113239/Rendered/PDF/WPS4703.pdf)

**WORLD TRADE INDICATORS 2008. World Bank. Roumeen Islam and Gianni Zanini. Web posted June 29, 2008. 08AD864**



Over the last decade, countries have improved many aspects of policy relevant for trade. The most recent estimates indicate that all regions and income groups have witnessed substantial real growth in trade during this time. In 2007, average real growth in trade, 7.7 percent for the world as a whole, is within the 7–9 percent growth range of the last decade. Groups that have the best policies and institutions overall also tend to have stronger and more consistent trade performance. The trade reform agenda going forward is about rationalizing substantial tariff peaks, particularly in agriculture, reducing overall tariff levels in some groups or countries, reducing tariff escalation aimed at protecting special goods, liberalizing services trade, and improving the other behind-the-border factors that affect trade expansion and the gains from it.

<http://info.worldbank.org/etools/wti2008/docs/mainpaper.pdf> [PDF format, 150 pages].



**ARE LOW FOOD PRICES PRO-POOR? NET FOOD BUYERS AND SELLERS IN LOW-INCOME COUNTRIES. World Bank. M. Ataman Aksoy and Aylin Isik-Dikmelik. June 2008. 08AD839**

The study examines the characteristics of food sellers and buyers in nine low-income countries. Three of the nine countries examined showed a substantial proportion of vulnerable households affected by the food price increases. The average incomes of food buyers were found to be higher than food sellers in eight of the nine countries examined. Thus, food price increases would transfer income from generally higher income food buyers to poorer food sellers. The analysis also finds that the occupations and income sources of sellers and buyers in rural areas are significantly different. In rural areas where food production is the main activity and where there are limited non-food activities, the incomes of buyers might depend on the incomes and farming activities of food sellers.

<http://www->

[wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/06/03/000158349\\_20080603171459/Rendered/PDF/wps4642.pdf](http://wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/06/03/000158349_20080603171459/Rendered/PDF/wps4642.pdf)

## WORLD ECONOMIC FORUM

**EUROPE@RISK: A GLOBAL RISK NETWORK BRIEFING. World Economic Forum. Web posted October 26, 2008. 09AD083**



The study examines the global risks pertinent to Europe, Russia, Eastern Europe, Turkey and Central Asia. The current financial crisis will have profound effects on the region and its consequences on the real economy are still unfolding. Banks on both sides of the Atlantic were bailed out and rescue plans for the financial sector were put in place all over Europe. The report highlights that the contagion effects of the financial meltdown will affect the real economy of the region. In Western Europe, growth prospects are being revised downwards, industrial production is decreasing in several countries and unemployment is likely to increase. In Central Asia, countries which have high levels of financing through

international capital markets will be more vulnerable to the global financial turmoil.

<http://www.weforum.org/pdf/globalrisk/Europe@Risk08.pdf> [PDF format, 16 pages].

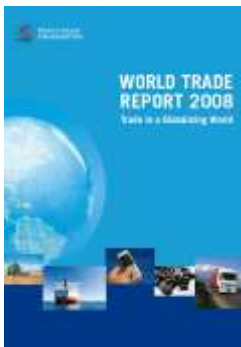
**GLOBAL COMPETITIVENESS REPORT 2008-2009. World Economic Forum. Michael E. Porter and Klaus Schwab. Web posted October 9, 2008. 09AD045**



The United States tops the overall ranking in report. Switzerland is in second position followed by Denmark, Sweden and Singapore. European economies continue to prevail in the top 10 with Finland, Germany and the Netherlands following suit. A number of countries in the Middle East and North Africa region are in the upper half of the rankings, led by Israel, Qatar, Saudi Arabia, United Arab Emirates, Kuwait and Tunisia, with particular improvements noted in the Gulf States since last year. In sub-Saharan Africa, South Africa, Botswana and Mauritius feature in the top half of the rankings, with several countries from the region measurably improving their competitiveness.

<http://www.weforum.org/documents/gcr0809/index.html> [HTML format, various paging].

## WORLD TRADE ORGANIZATION (WTO)



### **WORLD TRADE REPORT 2008: TRADE IN A GLOBALIZING WORLD. World Trade Organization. Web posted July 18, 2008. 08AD903**

Trade and globalization have brought greater prosperity to hundreds of millions as well as greater stability among nations, according to the report. Trade has allowed nations to benefit from specialization and economies of scale to produce more efficiently. It has raised productivity, supported the spread of knowledge and new technologies, and enriched the range of choices available to consumers. But deeper integration into

the world economy has not always proved popular, nor have the benefits of trade and globalization necessarily reached all sections of society. The report is devoted to an examination of the gains from international trade and the challenges arising from higher levels of integration.

[http://www.wto.org/english/res\\_e/booksp\\_e/anrep\\_e/world\\_trade\\_report08\\_e.pdf](http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report08_e.pdf)  
[PDF format, 204 pages]

## ARTICLES FROM U.S. JOURNALS

### **HOW TO SAVE CAPITALISM? PLAN. Galbraith, James K. *Harper's Magazine*, November 2008 AA08344**

Summary: Galbraith writes that the challenge is not to save capitalism, but but “how to save the unique and successful mixed economy built in the United States over the eighty-five years since the New Deal.” The U.S. economic system has a large public sector, which has traditionally been concerned with a range of projects for the common good. However, Galbraith argues that these functions are in peril, after thirty years of attack by “predators posing as conservatives and mouthing the rhetoric of ‘free markets’ ... their goal is to use the government to build monopolies, to control resources, to block regulation, to crush unions, to divert as much as possible from taxpayers into private pockets.” He notes that government planning has been a “dirty word” in the U.S. for decades, the hard-line right believing that it “destroyed freedom.” Galbraith counters that, if there is no planning, the only people in charge are lobbyists for the corporate world. He believes that the U.S. government needs a capacity to think and plan that is independent of Congress or the lobbying process, that will convey a sense of national purpose, and at present, such a plan needs to center around energy and climate change. This article is part of a series in the November issue of Harper’s, HOW TO SAVE CAPITALISM: FUNDAMENTAL FIXES FOR A COLLAPSING SYSTEM.

<http://harpers.org/archive/2008/11/0082254>

### **FARMER IN CHIEF. Pollan, Michael. *New York Times Magazine*, October 9, 2008 AA08345**

Summary: In an article framed as a letter to the President-elect, the author notes that food, an issue barely mentioned during the election campaign, may become a primary issue facing the next administration. While both candidates spent a lot of time talking about health care, energy independence and climate change, Pollan notes that the next President “will quickly

discover that the way we currently grow, process and eat food in America goes to the heart of all three problems”. Food production, processing and distribution in the U.S. is one of the biggest consumers of fossil fuels, using ten calories of hydrocarbon energy to bring one calorie of food energy from the farm to the supermarket. The goals of food production for most of the last few decades have been to produce large quantities of cheap, subsidized commodity crops, used in heavily processed convenience foods, contributing to the poor diet of most Americans. Pollan notes that the main challenge is to wean U.S. food production off fossil fuels and back onto “incoming sunlight” by relocalizing agriculture. Currently available online at <http://www.nytimes.com/2008/10/12/magazine/12policy-t.html>

**A MOUNTAIN, OVERLOOKED. Rickards, James. *Washington Post*, October 2, 2008, p. A23 AA08331**

Summary: The author, former general counsel for the hedge fund Long-Term Capital Management (LTCM), which collapsed in 1999, writes that the complex mathematical models that Wall Street firms used to calculate risk contained a “colossal conceptual error” — the assumption that risk is randomly distributed, and that an individual default event has no bearing on any other event. He notes that LTCM did not realize this a decade ago, and Wall Street does not appear to comprehend it today. Rickards argues that what was never considered was the overall stability of the system, which may appear random and chaotic, but “beyond chaos lies complexity that truly is unpredictable and cannot be modeled with even the most powerful computers.” Systems such as financial markets have complex interlocking relationships, not unlike a mountain covered with snow, in which one snowflake may not set off an avalanche by itself, but with the next one, and the next, it could. He notes that extreme events, such as are occurring now in the global financial markets, occur more often than most models predict, and because “we have scaled the system to unprecedented size, we can expect catastrophes of unprecedented size as well.” Available online at <http://www.washingtonpost.com/wp-dyn/content/article/2008/10/01/AR2008100101149.html>

**IS THE ‘GOOD LIFE’ AS AMERICA KNOWS IT OVER? Fraser, Steve. *TomDispatch.com*, posted September 19, 2008 AA08311**

Summary: Fraser, author of *WALL STREET: AMERICA’S DREAM PALACE* and a student of the history of relations between Washington and Wall Street, write that the undoing of Pres. Franklin Roosevelt’s New Deal program and its regulatory regime, with the “socialization of risk”, beginning with the massive bailout of the savings and loan associations in the 1980s, is what has resulted in the present-day collapse of the U.S. financial system. He notes that, despite the free-market, anti-government rhetoric, the bailing out of the financial industry by Washington is acknowledgment of how dependent the U.S. economy has become on the financial sector. The recent decisions of allowing some firms to survive and others to fail is more a symptom of confusion of how to deal with a spiraling crisis. Fraser notes that the financial system is out of control, and that it is “time for a reversal of course — reregulation of [the financial system] is not enough anymore ... the government must figure out how to shift the flow of investment capital out of the mine-fields of speculative paper transactions and back into productive channels that will help meet the material needs of American society.” Available online at [http://www.alternet.org/workplace/99395/is\\_the\\_%27good\\_life%27\\_as\\_america\\_knows\\_it\\_ov](http://www.alternet.org/workplace/99395/is_the_%27good_life%27_as_america_knows_it_over/?page=entire)  
[er/?page=entire](http://www.alternet.org/workplace/99395/is_the_%27good_life%27_as_america_knows_it_over/?page=entire)

**OVERTIME. Sass, Steven. *Boston College Magazine*, vol. 68, no. 3, Summer 2008, pp. 40-46, 48 AA08282**

Summary: The author, associate director for research at the Center for Retirement Research at Boston College, writes that job holders in the soon-to-retire Baby Boom generation, those born between 1946 and 1962, will have to work longer than their parents did. In the 1960s and 1970s, the creation of Medicare and the expansion of Social Security and employer-defined pension plans created the Golden Age of retirement. These programs let the World War II generation exit the labor force at a historically young age with enough income to maintain its standard of living. With cutbacks in Social Security and the general disappearance of traditional pensions, that option is gone. To enjoy a reasonably comfortable old age, the Baby Boom generation has little choice but to stay in the labor force longer. The picture is further complicated by a new instability in employment for older workers, and much more frequent job changes. The entry of China, India and the former Soviet Union into the world economic system has doubled the size of the labor force potentially available to U.S. employers over the last 10 to 15 years. Available online at [http://bcm.bc.edu/issues/summer\\_2008/features/overtime.html](http://bcm.bc.edu/issues/summer_2008/features/overtime.html)

**OPEC: SOLUTION OR PART OF THE PROBLEM? Rubin, Jeff; Buchanan, Peter. *CIBC World Markets Monthly Indicators*, July 30, 2008, pp. 4-7 AA08266**

Summary: The Middle East oil exporters are cutting back their petroleum exports, due to rising domestic consumption, a trend that could squeeze global oil supplies and drive prices up further. Energy analysts Jeff Rubin and Peter Buchanan write that crude exports from the region fell by more than 700,000 barrels per day in 2007. They predict the exports will fall by another 1 million barrels per day by 2012. "If world oil markets are to see future supply growth, it won't be coming from OPEC," they write. The biggest reduction came from Saudi Arabia, more than 600,000 barrels a day, followed by Iran, Kuwait, Qatar and the United Arab Emirates. Their cuts were offset by modest increases from Iraq, Libya and Algeria. The Middle East exporters are cutting their exports because of rising domestic demand. Daily consumption in the region climbed by some 300,000 barrels in 2007, similar to the increase by China, with four times the population of the Middle East. Huge water desalination plants in Saudi Arabia, industrialization of the U.A.E., and subsidized electricity and fuel prices are among the factors creating in the region one of the most energy-intensive life-styles in the world. Available online at [http://research.cibcwm.com/economic\\_public/download/feature1.pdf](http://research.cibcwm.com/economic_public/download/feature1.pdf)

**ECONOMIC REALITIES ARE KILLING OUR ERA OF FANTASY POLITICS. Taibbi, Matt. *AlterNet*, posted July 19, 2008 AA08248**

Summary: The author, a writer for Rolling Stone magazine, predicts that during the coming presidential election campaign, the Republican and Democratic candidates and media will feed the American public various storylines couched as the "national debate" that will obscure the most pressing issue -- the disappearance of the American middle class. Writes Taibbi, "median income has declined by almost \$2,500 over the past seven years, we have zero personal savings rate in America for the first time since the Great Depression, and 5 million people have slipped below the poverty level since the beginning of the decade." But he says the national debate will not focus on haves and have-nots, rich and poor, or

employers versus employees. The debate will not touch the military contractors who are making huge profits from the war in Iraq, an issue that Taibbi calls "a profound expression of our national priorities, a means of taking money from ordinary, struggling people and redistributing it not downward but upward, to connected insiders, who turn your tax money into pure profit." With the manufacturing sector of the U.S. economy shipped abroad, the service/managerial economy can no longer support a healthy middle class. He says the Democratic Party does not embrace the issue of declining living standards because it is funded by corporate money, just as the Republican Party is. Available online at <http://www.alternet.org/workplace/91927/?page=entire>

**IMF FINALLY KNOCKS ON UNCLE SAM'S DOOR. Hirst, David. *Age, The*, June 30, 2008 AA08230**

Summary: The reported forthcoming investigation of the U.S. Federal Reserve by the International Monetary Fund (IMF) signals a loss of the Fed's credibility and a blow to the integrity of the U.S. financial system. David Hirst, writing a column in *The Age* of Australia, quoted *Der Spiegel* as writing that the IMF investigation "is nothing less than an x-ray of the entire U.S. financial system" in which the Fed has bailed out profligate U.S. financial institutions. But Hirst holds little hope that the IMF investigation will help reform the U.S. financial system. Rather, he predicts that it will "be buried in the United States by pom-pom waving on CNBC telling all what a great time it is to buy." Hirst reports that other financial groups have similarly dim assessments of the Fed's performance in dealing with the financial scandals during the current administration. He notes, however, that other leading members of the IMF such as Canada, Britain, and Italy have undergone similar investigations. "Meanwhile, the U.S. markets have entered bear territory, the economy has done likewise and we are at the beginning of a long and tortuous process before rebuilding can even commence," Hirst writes.

<http://business.theage.com.au/business/imf-finally-knocks-on-uncle-sams-door-20080629-2yui.html?page=fullpage>

**A PARTNERSHIP OF EQUALS: HOW WASHINGTON SHOULD RESPOND TO CHINA'S ECONOMIC CHALLENGE. Bergsten, C. Fred. *Foreign Affairs*, Vol. 87, No. 4, July-August 2008 AA08229**

Summary: According to Bergsten, director of the Peterson Institute for International Economics, China has become one of the world economic superpowers even though it has an authoritarian government and most of the population remains poor. While the U.S. and the European Union strive to bring China into the world economic order they have built and defended for 60 years, China is increasingly challenging that order without offering a real alternative. Even though China has the biggest stake in the global trading system, its refusal to participate constructively in WTO negotiations almost guarantees disastrous failure for the round. Possibly even worse, China's challenge to the international monetary system by intervening massively in the foreign-exchange markets to maintain a hugely undervalued yuan, contrary to IMF rules, has created imbalances that could trigger a crash in the U.S. dollar and wreck economies around the world. China is similarly acting uncooperatively in commodity markets, environmental negotiations, and foreign aid. "China continues to act like a small country with little impact on the global system at large and therefore little responsibility for it," Bergsten writes. What the U.S. should do is approach China to provide joint leadership of the global economic system. China's own interests should lead it to accept



an invitation to accept increasing responsibility for the functioning of the world economy. Currently available online at <http://www.foreignaffairs.org/20080701faessay87404/c-fred-bergsten/a-partnership-of-equals.html>

**IN THE TANK. Victor, David; Eskreis-Winkler, Sarah. *Foreign Affairs*, vol. 87, no. 4, July/August 2008, pp. 70-83 AA08213**

Summary: The U.S. has been reluctant to use its Strategic Petroleum Reserve to buffer itself against shocks to the world oil markets, say David Victor, a law professor at Stanford University and a fellow at the Council on Foreign Relations, and his Council colleague, Sarah Eskreis-Winkler. Also, its management of the crude oil stockpiles is based on an outdated vision of the market. These stockpiles can help in times of crisis, but only if Washington radically reforms its approach and encourage other countries to do the same. The authors propose creating a new, independent board to manage existing oil stockpiles, purchase additional oil and gather and publish information about private oil stocks. They also suggest enlisting China and India in the International Energy Agency and reforming the agency's standards for oil reserves. Currently available online at <http://www.foreignaffairs.org/20080701faessay87405/david-g-victor-sarah-eskreis-winkler/in-the-tank.html>

**THE GOSPEL OF CONSUMPTION. Kaplan, Jeffrey. *Orion*, May/June 2008 AA08210**

Summary: "Keep the Consumer Dissatisfied," wrote Charles Kettering, director of General Motors Research in 1929. Kettering's article appeared at a time that the industrial leaders of the U.S. feared that the industrial capacity for turning out goods was outpacing people's sense of need for them. Two years earlier, U.S. Labor Secretary James J. Davis framed the problem in figures: the U.S. textile mills could produce all the cloth needed in six months' operation each year and 14 percent of U.S. shoe factories could make a year's supply of shoes. Kaplan traces how the U.S. decided as a society to pursue higher productivity, not the reduction of labor, with the imperative to consume everything that can be produced. In a philosophical counterpoint, the Kellogg Company, the world's leading producer of ready-to-eat cereal, made a strategic decision in 1930 to operate its plants with four six-hour shifts instead of three eight-hour shifts. The move was hugely popular with the company's workers, but anathema to the National Association of Manufacturers. Association president John E. Edgerton declared, "I am for everything that will make work happier but against everything that will further subordinate its importance. The emphasis should be on work -- more work and better work. Nothing breeds radicalism more than unhappiness unless it is leisure." The Kellogg owners sold the company and the new owners erased the six-hour day. Kaplan writes that Americans would be well served if they could opt for fewer material goods, fewer work hours and more time for themselves, their families and communities. Available online at <http://www.orionmagazine.org/index.php/articles/article/2962>

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**CONGRESSIONAL DEMOCRATS PUSH FOR ECONOMIC STIMULUS: White House warms up to the idea; central bank calls for targeted bill. By Andrzej Zwaniecki, Staff Writer. 23 October 2008**



Washington — U.S. congressional leaders are discussing an economic stimulus plan to revive a slowing economy as credit markets gradually thaw.

Veterans of the U.S. military meet prospective employers at a job fair in Los Angeles.

Congressional Democrats have been pushing for an economic recovery package in response to gloomy economic news.

<http://www.america.gov/st/econ-english/2008/October/20081023171249saikceinawz0.7237055.html>

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